

Private and Confidential



Letter of Offer  
Dated January 23, 2006  
For Equity Shareholders of the Bank only

## THE UNITED WESTERN BANK LIMITED

(Incorporated on October 17, 1936 under the Indian Companies Act, 1913)

**Registered & Head Office:** United Western Bank Building, 172/4, Raviwar Peth,  
Shivaji Circle, Satara, Maharashtra – 415 001

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**RIGHTS ISSUE OF 1,79,32,633 EQUITY SHARES OF RS. 10/- EACH AT A PREMIUM OF RS. 14/- PER SHARE (I.E., AT A PRICE OF RS. 24/- PER SHARE) IN THE RATIO OF ONE (1) EQUITY SHARE FOR EVERY TWO (2) EQUITY SHARES OF RS. 10/- EACH HELD ON THE RECORD DATE JANUARY 25, 2006 AGGREGATING RS. 43.04 CRORE. THE FACE VALUE OF THE EQUITY SHARE IS RS. 10 AND THE ISSUE PRICE IS 2.4 TIMES THE FACE VALUE**

### GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the offer including the risk involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.

**The attention of the investors is drawn to the statement of Risk Factors appearing on page no. 6 of this Letter of Offer.**

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity Shares of the Bank are listed on Bombay Stock Exchange Ltd. (BSE), the National Stock Exchange of India Ltd. (NSE) ("Designated Stock Exchange") and The Pune Stock Exchange Ltd. (PSE). The Equity shares to be issued through this issue would also be listed on the Stock Exchanges mentioned above. The Bank has made an application for in-principle approval for listing to the Stock Exchanges. The Bank will make an application to these Stock Exchanges for permission to deal in and for an official quotation in respect of the Equity Shares arising out of the Issue. The Bank has received in-principle approvals from NSE, BSE and the PSE for listing the Equity Shares arising from this Issue vide letters dated December 16, 2005, December 12, 2005 and December 12, 2005, respectively.

### LEAD MANAGER TO THE ISSUE



**A. K. CAPITAL SERVICES LTD.**

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### REGISTRARS TO THE ISSUE



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### ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSSES ON
FEBRUARY 10, 2006	FEBRUARY 24, 2006	MARCH 11, 2006



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**DEFINITIONS & ABBREVIATIONS**

**General Terms and Abbreviations**

Act	The Companies Act, 1956 and amendments thereto
AFS	Available For Sale
AGM	Annual General Meeting
Articles	Articles of Association of the Bank
AS	Accounting Standard
Auditors	Refers to M/s M. P. Chitale & Co., Hamam House, 1 <sup>st</sup> Floor, Ambalal Doshi Marg, Fort, Mumbai – 400 001, unless otherwise specified
Board or Board of Directors	Board of Directors of The United Western Bank Limited
BR Act	Banking Regulation Act, 1949 and amendments thereto
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Ltd.
DICGC	Deposit Insurance and Credit Guarantee Corporation of India
DP	Depository Participant
ESOS	Employee Stock Option scheme
ESOP	Employee Stock Purchase Scheme
Equity Share(s) or Share(s)	Means the Equity Share of the Bank having a Face Value of Rs. 10/-
Equity Shareholder	Means a holder of Equity Shares of the Bank as on record date i.e. January 25, 2006
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institution(s)
FII	Foreign Institutional Investor (registered with SEBI)
FY	Financial Year
GOI	Government of India
HFT	Held For Trading
HTM	Held To Maturity
HUF	Hindu Undivided Family
Issuer	United Western Bank Limited, a Bank incorporated under the Indian Companies Act, 1913 having its Registered Office at United Western Bank Building, 172/4, Raviwar Peth, Shivaji Circle, Satara, Maharashtra – 415 001.
IT Act	Income Tax Act, 1961
ITAT	Income Tax Appellate Tribunal
Memorandum and Articles	Memorandum and Articles of Association of the Bank
NIC	National Informatics Centre
NR	Non Resident
NRI(s)	Non Resident Indian(s)
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange of India Limited



OCB	Overseas Corporate Body
PSE	Pune Stock Exchange Limited
RBI	Reserve Bank of India
ROC	Registrar of Companies
SARFAESI Act 2002/Securitisation Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SEBI	Securities and Exchange Board of India
SEBI Guidelines	The Guidelines for Disclosure and Investor Protection (DIP) issued by SEBI and subsequent amendments thereon
Takeover Regulation	The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as amended to date.
The Bank	The United Western Bank Ltd.
VRS	Voluntary Retirement Scheme
WITECO	The Western Indian Trustee and Executor Company Ltd.
Yoy	Year on year

**Issue Related Terms and Abbreviations**

AK Caps or Lead Manager	A. K. Capital Services Limited
Bankers to the Issue	United Western Bank Limited & Bank of Maharashtra
CAF	Composite Application Form
Centrum or Co-Lead Manager	Centrum Capital limited
Consolidated Certificate	In case of physical certificates, the Bank would issue one certificate for the Equity shares allotted to one folio.
Designated Stock Exchange	National Stock Exchange of India Limited (NSE)
Issue/Rights Issue/ the Offer	Issue of 1,79,32,633 Equity Shares of Rs. 10/- each at a premium of Rs. 14/- per share (i.e. at a price of Rs. 24/- per share) on rights basis to the existing shareholders of the Bank in the ratio of one (1) equity share for every two (2) equity shares held on the Record Date January 25,2006 aggregating Rs. 43.04 crore
Issue Closing Date	March 11, 2006
Issue Opening Date	February 10, 2006
Issue Price	Rs. 24/- per Equity Share
Letter of Offer	Letter of Offer dated January 23, 2006, as filed with the Stock Exchanges after incorporating SEBI comments on the draft Letter of Offer
Record Date	January 25,2006
Registrar to the Issue/Registrar	MCS Limited
Rights Entitlement	The number of shares that a shareholder is entitled to in proportion to his/her shareholding in the Bank as on the Record Date
Stock Exchange	Stock Exchanges where Rights Shares pursuant to this Letter of Offer are proposed to be listed being Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited



**Technical Terms and Abbreviations**

ALCO	Asset Liability Management Committee
ALM	Asset Liability Management
ARCIL	Asset Reconstruction Company of India Limited
ATM	Automated Teller Machine
BG	Bank Guarantee
BIFR	Board for Industrial and Financial Reconstruction
Bps	Basis points
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CC	Cash Credit
CDR	Corporate Debt Restructuring
CRAR	Capital to Risk Weighted Asset Ratio
DD	Demand Drafts
DPG	Deferred Payment Guarantee
DRS	Disaster Recovery Site
DRT	Debt Recovery Tribunal
DTAA	Double Tax Avoidance Agreement
ECGC	Export Credit Guarantee Corporation
EPS	Earning Per Share (on Equity Share Capital)
FCNR	Foreign Currency Non-Resident Account
IDRBT	Institute for Development & Research in Banking Technology
IS Audit	Information Systems Audit
IPC	Indian Penal Code
IFR	Investment Fluctuation Reserve
LC	Letter of Credit
MDTD	Memorandum of Deposit of Title Deeds
NAV	Net Asset Value
NDS	Negotiated Dealing Settlement
NFS	National Financial Switch
NPA	Non Performing Assets
PLR	Prime Lending Rate
PCA	Prompt Corrective Action
RBIA	Risk Based Internal Audit
RTGS	Real Time Gross Settlement System
SBLC	Stand-by Letter of Credit
SLR	Statutory Liquidity Ratio

In this Letter of Offer, the terms “we”, “us”, “our”, “the Bank”, “its”, “Bank’s”, “UWB” or “Issuer” or “the Bank”, unless the context otherwise implies, refer to The United Western Bank Limited, a company incorporated on October 17, 1936 under the Indian Companies Act, 1913.

All references to “Rs.” refer to Rupees, the lawful currency of India. Any discrepancies in any table between total and the sums of the amount listed are due to rounding off.



## RISK FACTORS AND MANAGEMENT PERCEPTION

Investors should consider the following risk factors together with all other information included in this Letter of Offer carefully, in evaluating Bank and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements and are based on certain assumptions that Bank considers reasonable. This Letter of Offer contains forward-looking statements that involve risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as “may”, “believes”, “will”, “expect”, “anticipate”, “visualize”, “estimate”, “continue”, “plan”, “likely” or other similar words. Actual results could differ from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the following risk factors and elsewhere in this Letter of Offer.

However, there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

This Letter of Offer also includes statistical and other data regarding the Indian Banking industry. This data was obtained from industry publications, reports and other sources that Bank and the Lead Manager believe to be reliable. Neither Bank nor the Lead Manager has independently verified such data.

### Internal to the Bank

#### 1. Risk pertaining to Outstanding Litigations

##### Cases filed against the Bank

###### *Criminal cases*

**As on September 30, 2005, there were 2 criminal cases filed against the Bank. The total claim amount in these suits for the Bank is approx. Rs. 2.01 crore.**

###### *Civil Offences with claims of more than Rs. 50 lacs*

As on September 30, 2005, there were 4 civil cases filed against the Bank with claims of more than Rs. 50 lacs. The total claim amount in these suits is approx. Rs. 11.20 crore.

###### *Civil Offences with claims of less than Rs. 50 lacs*

As on September 30, 2005, there is 1 complaint filed against the Bank for Rs. 0.02 lacs.

###### *Labour Laws*

As on September 30, 2005, there were 11 cases relating to service matters filed against the Bank pending before various judicial authorities. The suits relating to Labour laws are not quantifiable.

###### *Cases filed by the Bank*

As on September 30, 2005, the Bank has filed 3652 cases for recovery of net balance of Rs. 878.10 crore.

###### **Other Litigations – Regulatory concerns and penalties imposed, etc.**

RBI has imposed various penalties on the Bank in terms of provisions of Sec. 46(4) read with Sec. 47A of the Banking Regulation Act, 1949 for certain irregularities observed by RBI in the normal business operations of the Bank. The Bank has also received various Show Cause notices and warnings from SEBI for violation of SEBI (Bankers to an Issue) Regulation, 1994).

**For more details, investors are requested to refer to para on ‘Outstanding Litigation’ on page no. 160 of this Letter of Offer.**

#### 2. Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio of the Bank was 4.86 per cent as on March 31, 2005 and further declined to 3.15 per cent as on September 30, 2005, which is below the RBI stipulated norm of 9 per cent. Though the Bank has approved a Roadmap for implementation of Capital Raising Plan and the present Rights Issue is a step in that regard, but even after this Rights Issue the CRAR of the Bank will not comply with RBI stipulation, and this may trigger mandatory and discretionary actions from RBI as per PCA framework.

**Management Perception**

The Reserve Bank of India has issued guidelines to Schedule Commercial Banks to prepare themselves for the implementation of Basel II accord. The United Western Bank Ltd. is also one of the participants in this process. The Bank has therefore started the process of consolidation and the Bank has prepared a plan for the next three years and based on the same it is planned to raise capital to comply with RBI guidelines. The present issue of Rights Shares offered through this Letter of Offer is a step in that direction.

As a part of consolidation process, the Bank has taken following steps :-

- 1) As on March 31, 2005 the Bank has taken a prudential write-off of NPAs of Rs. 59.15 crore.
- 2) To comply with the RBI Guidelines with respect to mark-to-market the G-sec portfolio, the Bank has provided depreciation of Rs. 67.00 crore.
- 3) As permitted by RBI the Bank has shifted the Government Securities from AFS to HTM category and consequent additional depreciation of Rs. 43.00 crore has been charged to Profit and Loss Account. However, the Bank holds IFR of Rs. 49.25 crore as on March 31, 2005.
- 4) The RBI Guidelines about graded provision for NPAs have been fully complied and the Bank has made an additional provision of Rs. 66.05 crore thereby improving the NPA Coverage Ratio to the extent of 47.24 per cent.
- 5) The Bank has complied with all applicable Accounting Standards including provision for wage revision, to the extent of Rs. 20.65 crore, as required as per AS – 29.
- 6) The Bank has transferred Rs. 59.15 crore from Revenue Reserve Below the Line.

As a result of the above stated steps, the Bank incurred a loss of Rs. 98.64 crore and the proportionate Tier-I Capital got reduced, which has the consequential effect of bringing down the CRAR upto 4.86 per cent as on March 31, 2005.

In order to comply with the regulatory requirements of Capital Adequacy the Bank took pro-active measures and approved the Capital Raising Plan and the same has been put to implementation aiming at overcoming the risk associated with PCA framework.

**3. The Bank has incurred loss for financial year ended March 31, 2005 and for half-year ended September 30, 2005**

For the financial year ended March 31, 2005 and half-year ended September 30, 2005, the Bank has incurred net loss of Rs. 98.64 crore and Rs. 27.55 crore respectively. This was mainly on account of the Prudential Write Off of Rs. 59.15 crore, Provisions of Rs. 66.05 crore, including additional graded provisions towards NPAs and a provision of Rs. 67.00 crore on account of depreciation of the Government Securities portfolio. The Bank has also made a Provision of Rs. 20.65 crore towards payment of wage arrears as necessitated to comply with AS-29.

**Management Perception**

For reasons for incurring loss for financial year 2004-05 please refer to 'Management Perception' for the risk factor pertaining to 'Capital Adequacy Ratio' as mentioned above. During the first quarter of financial year 2005-06, the Bank has incurred a net loss of Rs. 14.64 crore mainly on account of depreciation of G-sec portfolio while making it mark-to-market.

**4. The Bank has negative cash flows for financial year ended March 31, 2005**

For the financial year ended March 31, 2005, the Bank had negative cash flows to the extent of Rs. 29.75 crore comprising of negative cash flow from operating activities of Rs. 2.90 crore, negative cash flow from investment activities of Rs. 10.33 crore and negative cash flow from financing activities of Rs. 16.52 crore. The overall cash balance of the Bank, which stood at Rs. 640.64 crore for financial year 2003 – 2004 stand reduced at Rs. 610.89 crore as on March 31, 2005.

**5. Non Performing Assets (NPAs)**

As on March 31, 2005, the net NPAs of the Bank stood at Rs. 232.09 crore, i.e., 5.83 per cent of its net advances. The Bank's NPAs can be attributed to 90 days' criteria for recognising the accounts as NPAs, in addition to the several factors including stagnation in industrial growth in the past, volatility in commodity prices, high level of debt in the financing of projects more particularly Infrastructure, and significant fall in interest rates, which disincentivise repayments by defaulting customers. Although Bank is increasing its efforts to improve collections and to foreclose on existing NPAs, there is no assurance that it will be successful in its efforts or that the overall quality of loan portfolio will not deteriorate in the future. If the Bank is unable to control and reduce NPAs; its business, future financial performance and shareholders' funds could be adversely affected.

**Management Perception**

The net NPAs of the Bank have come down from 8.95 per cent in March 31, 2004 to 5.83 per cent as on March 31, 2005. Further, the Bank is closely monitoring NPAs and has put in place NPA management plan to augment substantial recovery. The NPA Coverage Ratio of the Bank as on March 31, 2005 stands at 47.24 per cent, which shall provide sufficient cushion to avoid any adverse impact.

**6. The Bank has entered with an Memorandum of Understanding with a group of Shareholders and certain terms of the same are yet to implemented**

The Bank had entered into a Memorandum of Understanding (MoU) with a group of shareholders; the following items of such MoU are yet to be implemented :

- 1) The settlement with Emtex Industries (I) Ltd. (EILL) has not been implemented yet and EILL has made reference to BIFR;
- 2) The Powers of Attorney for giving voting rights proposed to be granted to WITECO in pursuance of MoU have not so far been executed;
- 3) Though the settlement with Maliram Makharia Stockbrokers Pvt. Ltd. was given effect under consent terms dated July 11, 2003 filed before DRT, Mumbai, the due installment is not received by the Bank yet.

For more details, please refer to para on "Other Agreements" on page no. 80 of this Letter of Offer.

**7. Regional concentration of the Bank**

United Western Bank Ltd. has a regional concentration in Western parts of the country in terms of deposits and advances with national presence of 28 branches in eight States other than Maharashtra. Western region account for around 84 per cent of deposits and around 83 per cent of advances as on March 31, 2005. If the credit or deposit business in these regions slows down significantly and Bank's assets and liabilities in other regions do not correspondingly increase, its operations and financials could be adversely affected.

**Management Perception**

The regional presence of the Bank is not a hindrance to its growth prospects. Despite regional concentration of the branch network, the overall deposits of the Bank have grown at a CAGR of 14.80 per cent to Rs. 6452.87 crore and the advances have grown at a CAGR of 16.13 per cent to Rs. 3976.28 crore during the past 10 years ending March 31, 2005. The Bank has 230 branches, 14 extension counters and 65 ATMs as on September 30, 2005 with presence in 9 States and has plans to expand its branch network subject to RBI approval.

**8. Asset-Liability Mismatch**

A large portion of the funding of the Bank is in the form of short and medium term deposits. As a result, as on March 31, 2005 maturing liabilities are more than assets by Rs. 1457.34 crore during the period from 3 months to 5 years category. In case, the Bank is not able to find new deposits or is unable to roll over existing deposits, liquidity position of the Bank may be severely affected. For more details on Asset Liability Management position refer to the para on "Asset Liability Management" on page no. 64 of this Letter of Offer.



**Management Perception**

As per the normal pattern and past experience, a large portion of the deposits gets rolled over. The Bank feels even if in the event of some portion of deposits are not renewed, the fresh accretion of deposits would take care of the Asset Liability mismatches. Moreover, the Bank has an Asset Liability Management system in place to actively monitor and manage the duration and liquidity mismatches. For more details on the Asset Liability position refer to the para on 'Asset Liability Management' on page no. 64 of this Letter of Offer.

**9. Credit Risk**

The Bank's main business of lending carries an inherent credit risk, which involves inability or unwillingness of a customer or a counter-party to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions. The Bank's diversified loan portfolio is managed by personnel with experience in the respective areas. The Bank has put in place appropriate Credit Appraisal/Control Mechanism and Risk Management System. However, there is probability of failure of systems. Besides, there are always some factors that are beyond the Bank's control, which may increase credit risk. Any such failures or devolvement may have adverse impact on working results of the Bank.

**Management Perception**

The Bank has put in place Credit Rating System under which each and every borrowal account of Rs. 2.00 lacs and above is rated on several parameters. The risk is priced based on nature of security, credit rating, etc. The Bank also has implemented an active Credit Risk Management Policy aimed at mitigating various credit related risk.

**10. Asset Concentration**

The top 5 industries account for 29.19 per cent of the Net Credit of the Bank as on March 31, 2005. Also, the top ten borrowers of the Bank account for about 10.00 per cent of the Net Credit of the Bank as on March 31, 2005. The asset quality of the Bank to some extent depends upon the industry concentration and borrower specific risk.

**Management Perception**

The Bank has classified the various industries into three categories i.e. preferred, less preferred and least preferred. Exposures to various industries are periodically monitored and credit concentration under particular industry is maintained within tolerance level as prescribed in the credit policy. The Bank has put in place a Credit Monitoring Mechanism to monitor the performance of large value borrowers.

**11. Tax Disputes**

As on September 30, 2005, certain proceedings against the Bank related to Income Tax matters are pending in appeal with the Income Tax authorities. The net amount of disputed tax in respect of these proceedings is Rs. 34.37 crore, for which no provision is made; if the said provision is made the networth of the Bank shall further reduce by this amount. Also, during the year 2004-05, Income Tax Department had levied penalty of Rs. 2.39 crore against which the Bank has preferred an appeal. Pending decision in appeal, the Bank has made the provision for the same.

**Management Perception**

The Bank has been contesting the disputed tax liabilities at various forums. For the penalty of Rs. 2.39 crore imposed by Income Tax Department, the Bank preferred an appeal, which is concluded in favour of the Bank and consequently refund of Rs. 2.36 crore is to be received towards penalty and the amount has been credited to Profit and Loss Account. As regards the balance penalty of Rs. 0.03 crore, the Bank has preferred a second appeal.



## **12. Contingent Liabilities**

As on March 31, 2005, the Bank has contingent liabilities to the extent of Rs. 724.32 crore consisting of the following, for which no provisions have been made :

- (i) Claims against the Bank not acknowledged as debt Rs. 47.89 crore
- (ii) Liability on account of outstanding forward exchange contracts Rs. 217.69 crore
- (iii) Guarantees given on behalf of constituents in India Rs. 325.74 crore
- (iv) Acceptances, endorsements and other obligations Rs. 133.00 crore

### **Management Perception**

The above contingent liabilities, except for an amount of Rs. 34.37 crore (disputed tax liability) included above in "claims against the Bank not acknowledged as debt of Rs. 47.89 crore", arise on account of normal business of the Bank and largely pertain to outstanding forward exchange contracts and guarantees given on behalf of its constituents, which are adequately secured. As regards the disputed tax liability please refer to 'Management Perception' for risk factor pertaining to 'Tax Disputes' as mentioned above.

## **13. Delays in enforcing securities when borrowers default on their obligation to the Bank**

Major portion of the Bank's loans to customers is secured by tangible securities (Prime/Collateral). Although loans are secured, an economic downturn can result in a fall in realisable values. A portion of loans to large value borrowers is secured by assets, including property, plant and equipment, etc. Loans to such borrowers also include working capital credit facilities that are typically secured by a first lien/charge on inventory, receivables and other current assets. In good number of cases, the Bank may have taken further security of a first or second lien/charge on fixed assets, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. In the event an eligible borrower makes a reference to a specialised quasi-judicial authority called the Board for Industrial and Financial Reconstruction or a Corporate Debt Restructuring cell, foreclosure and enforceability of securities can be stalled. These delays can last for several years leading to deterioration in the physical condition and market value of the security. The Bank cannot guarantee that it will be able to realise the full value on its securities, as a result of, among other factors, delays in Bankruptcy, foreclosure proceedings, defects in the documentation, fraudulent transfers by borrowers, etc. A failure to recover the expected value of security can expose the Bank to a potential risk. Any unexpected losses can adversely affect the Bank's business, future financial performance and shareholders' funds.

### **Management Perception**

The SARFAESI Act 2002, has strengthened the ability of lenders to recover non-performing assets by granting them substantial rights for enforcement of security and recovery of dues from borrowers including removal of reference to the Board for Industrial and Financial Reconstruction and stay thereto. Supreme Court of India has upheld the constitutional validity of the SARFAESI Act, and the Bank has taken action in large number of cases for recovery of its NPAs under the abovementioned Act. The Bank also pursues for one time settlement based on merits and within policy framework approved by the Board.

The Bank has in place NPA Management and Recovery Policy by which it initiates appropriate steps for recovery of the dues under default. With the proposed establishment of National Company Law Tribunal and abolition of BIFR, it is expected that the process of recovery of dues will get further momentum. The Debt Recovery Tribunal is playing a yeomen's role in recovering the Bank's dues and hence management is quite confident of recovering major portion of its defaulting assets portfolio.

## **14. Risk in relation to internal controls and systems risk**

The Bank has satisfactory internal controls and systems in place to detect and control fraud, mismanagement. However, there is no guarantee that it will keep on meeting its objective of detecting and controlling mismanagement and fraud, which in turn may have an adverse impact on the financial performance of the Bank.

**Management Perception**

The Board of Directors of the Bank has already put in place well articulated internal control measures commensurate with the size of origination and complexity of operations. The Audit committee of the Board of Directors is supervising the internal audit and compliance functions. The system of regular inspection, credit inspection, short inspection and concurrent audit of select branches form part of internal control mechanism. Besides, the Bank has been ensuring stock audit and Documentation audit of large borrowal accounts by professionals / Audit firms to further strengthen the credit administration. The Bank has already introduced Risk Based Internal Audit system, as mandated by the Reserve Bank of India. Adequate measures have been taken to work under computerized environment. The computerized operations are subject to EDP/ IS audit to mitigate the associated risks. IS Audit of DataCentre, Pune is being done by external agency on regular basis. Bank is also proposing to introduce online surveillance system to detect money laundering and other attempts to defraud the Bank. Policy of Anti-Money Laundering of the Bank is already in force and operationalised.

In the opinion of the management, the above measures are adequate to manage the risks arising out of operations of the Bank.

**15. Technological risk**

The Bank had adopted Core-Banking Solution networking at 165 branches spread over 100 centres. Technological automation has enabled the Bank in offering customer-centric value-added products and services like Multi-Branch Banking (MBB), "Apulki" ATM card, etc. The Bank has also launched its own ATM network in select cities, which is also connected to NFS promoted by IDRBT (RBI), which allows access to more than 5000 ATMs across the country. Any failure in technology systems, particularly for Core-Banking Solution and retails services products, NFS etc could significantly affect its operations and the quality of customer service and this could result in business and financial losses.

**Management Perception**

The Bank has already adopted the Core-Banking Solution with the State of the art technology for 165 branches covering 85 centres with its data center in Pune. The Bank has also set-up a Disaster Recovery Site (DRS) at Satara to fall back for data recovery in the event of any failure in its centralized data center. The Bank has adopted Information Technology Security Policy to safeguard the irregularities and other frauds in Information Technology (IT) environment. The Bank has also established a stand-by arrangement for all the critical applications used in the computerisation. The Bank is in the process of preparing a comprehensive Business Continuity Plan for technological applications used at various offices.

**16. Ability to attract and retain talented and professional manpower**

An inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on the Bank's business and financial performance.

**Management Perception**

The Bank's Human Resource Development (HRD) Policy aims at bringing in new talent to meet the growing challenges in dynamic scenario in banking sector. Attempts have been made to recruit skilled and professional candidates and impart training to upgrade their skills. The attrition rate in the key management positions in the Bank is almost negligible. The Bank is able to retain its talented personnel.

**17. The Bank has not been able to meet the projections made during its previous Rights/Public Issue**

The Bank has not been able to achieve the projected financials as detailed in the Offer Document and Letter of Offer for the initial public issue and previous Rights Issue in the year 1994 and 1995 respectively.

**Management Perception**

The Projections made in the earlier issues were not achieved by the Bank and the reasons thereof have been explained on page 179 of this Letter of Offer. However as per the extant SEBI (DIP) Guidelines, 2000 no financial projections are required to be given in the Letter of Offer as mentioned in para 6.9.2.2 (ii) of the said guidelines. Hence the risk arising on account of non-achievement of financial projections does not exist.

**18. Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)**

Under RBI Regulations, the Bank is subjected to a Cash Reserve Ratio of 5 per cent of its net demand and time liabilities in a current account with RBI. In addition, under RBI regulations the Bank is required to maintain a uniform Statutory Liquidity Ratio of 25 per cent of its net demand and time liabilities, which are to be invested in Government of India and other approved securities. The Bank earns interest of such Cash Reserves and Securities at rates that are less favourable than those, which the Bank would receive in respect of its retail and corporate loan portfolio.

**Management Perception**

The minimum CRR and SLR requirements observed by the banks in India are regulated by Reserve Bank of India and are required to be complied uniformly by all the banks. However, to mitigate the risk involved, i.e., any upward increase in the maintenance of CRR and SLR, the Bank may not be adversely affected as it has already adopted effective tools for funds management which will take care of likely adverse impact on the Bank's profitability.

**19. Low Capital Base**

The paid-up capital of the Bank stands at Rs. 29.89 crore as on March 31, 2005, which is relatively smaller as compared to the Indian Banking Industry. This low capital base restricts the Bank to increase asset base and ability to absorb sudden changes in the financial markets such as tightening of monetary policy, unexpected losses on hardening of interest rates, volatility in interest rate resulting in market risk, etc.

**Management Perception**

Though the Equity capital of the Bank is low as compared to other private sector banks of similar size, the Networth of the Bank is Rs. 130.75 crore as on March 31, 2005. Besides, to comply with the RBI Guidelines regarding Ownership and Governance in Private Sector Banks, the Bank has prepared a comprehensive Capital Raising Plan to comply with the regulatory prescriptions of minimum Networth of Rs. 300.00 crore wherein substantial increase in capital base is projected.

**20. Qualification by Auditors on financial statements**

During the financial year 2004 – 2005 an overdraft facility was granted to a willful defaulter. The outstanding balance of Rs. 48.67 lacs as on March 31, 2005 has been recovered subsequently. Though the said amount has been subsequently recovered but further occurrence of such instances may cause a financial risk to the Bank.

**Management Perception**

The Bank has taken adequate steps to avoid the recurrence of such instances in future.

**21. The Bank has sanctioned loans and advances to such companies where the beneficiaries are related to the Directors of the Bank****Management Perception**

The Bank has sanctioned such loans in the normal course of the business and as per the applicable credit policy. These loans are subject to normal monitoring as applicable to other loans and advances. For more details, please refer to para on "Interest of Directors" on page no. 171 of this Letter of Offer.

**22. Credit Rating of the Bank**

The Bank had obtained a Credit Rating of 'CARE A-' from Credit Analysis & Research Ltd. (CARE), at the time of placement of its Tier II Bonds in the month of February 2004. The said rating was downgraded to 'CARE BB+' and further to 'CARE B+' at present, thereby affecting the Bank's ability to raise funds through similar program in future. For an explanation regarding the rating symbols and for further details of ratings please refer to page no. 28 of this Letter of Offer.



**Management Perception**

With the proposed raising of capital, the Rating Agency may undertake a review.

**23. Annual Inspection of the Bank by RBI**

RBI conducts Annual Inspection of the Bank based on the audited accounts. The Annual Inspection Report of the Reserve Bank of India (2004) has identified certain weaknesses in the system, operational irregularities and other deficiencies in internal controls.

**Management Perception**

The inspection of the Bank by RBI is a regular exercise under Section 35 of the Banking Regulation Act, 1949 and is carried out periodically for all the banks and Financial Institutions. The reports of RBI are strictly confidential and the Bank has informed the RBI about the actions already taken and measures that are under implementation in respect of observations made by RBI. The issues raised by RBI in the aforesaid report have been replied to by the Bank.

**24. The Reserve Bank of India has issued following Directions to the Bank under Section 35 A of Banking Regulation Act, 1949.**

S. No.	RBI Directives	Management Perception
1	The Bank should ensure that it maintains its CRAR above the minimum required level of 9 per cent.	The Bank has already undertaken the plan for capital raising through Right/Public Issue and thereafter through subordinate debt by the end of financial year 2005-06 and 2006-07. The Process of augmenting the Capital Base is in progress and the present Rights Issue is a step towards implementing the capital-raising plan.
2	The Bank will make concerted efforts to reduce high cost deposits.	The bank has already taken steps to bring down the cost of deposit as a result of which the cost of deposit has come down from 8.63 per cent as on March 31, 2002 to 5.10 per cent for the month of August 2005.
3	The CD Ratio should not exceed the level as on November 30, 2002, which stood at 59.75 per cent.	The C/D Ratio as on March 31, 2005 is 61.62 per cent. The Bank is trying to maintain the C/D Ratio below 59.75 per cent. However, it fluctuates due to fluctuations in the level of Deposit and Advances.
4	The Bank should not declare dividend without RBI's prior approval.	The Bank does not declare any dividend without prior permission of RBI.
5	The loan policy of the Bank should be revised as per RBI circular DBOD No.DIR.BC.11 /13.03.00/ 2001 dated Aug. 13, 2001.	The Bank has already revised the credit policy as per the directive and the revised credit policy stands circulated to all the branches. It is valid up to December 31, 2005
6	The Bank shall undertake special drive to reduce the level of NPAs & contain generation of fresh NPAs.	<ul style="list-style-type: none"> <li>a) The Bank has adopted a NPA recovery policy approved by the Hon. Board with contains comprehensive directives for the various functionaries.</li> <li>b) The Bank has undertaken vigorous drive at the Branch/Zonal and Head Office levels for recovery of NPAs. Each and every NPA account is reviewed periodically and appropriate steps are being taken.</li> <li>c) DRT cases are pursued vigorously with special emphasis on recovery &amp; attachment of assets through execution of decree</li> <li>d) Powers are delegated to Branch Heads to sanction special OTS proposals for NPA a/c with balance below Rs.100000.</li> <li>e) Recovery agents are appointed at various branches and Zonal Offices to speed-up the recovery progress.</li> <li>f) Bank is organising recovery camps periodically in all the Zones and at large size branches.</li> </ul>
7	The Bank shall take steps to upgrade credit appraisal skills and systems.	Training programmes have been devised to cover the following areas. 1. Working Capital Assessment; 2. Term Loan Assessment; 3. Balance Sheet Analysis; 4. Case Studies; 5. Credit Monitoring; 6. Documentation; 7 Legal Aspects; 8 Loan Policy; 9. L/ C and B/G assessment; and 10. Credit Risk Management.



S. No.	RBI Directives	Management Perception
8	The bank should make special efforts to speed up recovery. The bank should prepare sector-wise recovery targets with special emphasis on SSI & medium & large industries in order to reduce the level of NPAs in these sectors.	The Board has approved sectorial recovery targets and accordingly the recovery of NPA is being done.
9	The Bank should not open new branches till the level of NPAs is reduced to the peer group average level.	The Bank is not opening any new branch without prior permission of Reserve Bank of India.
10	The Bank should avoid any wasteful expenditure and any large expenditure should be with prior approval of the Board.	The Bank has a system for scrutiny before sanctioning any large expenditure at various hierarchical levels as per delegated Administrative Powers. The system takes care about avoiding any un-necessary expenditure and any large expenditure is made only after the prior approval of the Board.
11.	The Board and Board Committees should follow the principles of Good Corporate Governance and ensure transparency in their functioning.	The Reserve Bank of India guidelines in respect of ensuring the Corporate Governance are observed in letter and spirit. The irregularities pointed out by the inspecting officials in RBI Inspection 2002 and the observations thereon have been duly addressed by the Bank in the following manner.  (i) As and when a contrary view is taken by any Member of the Board in respect of any subject matter placed before the meeting it is duly recorded in the minutes.  (ii) The Bank has implemented RBI guidelines of "Fit & Proper Person" and a Nomination Committee of the Board has been constituted.
12	The directors of the Bank should desist from interfering in the day-to-day operations of the Bank.	It has been tradition in the Bank that the Directors do not interfere in the day-to-day operations.
13	The Bank should furnish a monthly compliance report to our Mumbai Regional Office in respect of the directions imposed.	The Bank is duly submitting the monthly compliance report as per the directive and the progress thereof, is reviewed by RBI periodically.

## External to the Bank

### 1. Sensitivity to the economy and extraneous factors

The Bank's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, the state of the global economy and business and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Bank including the quality and growth of its assets.

#### Management Perception

Diversified portfolio business of the Bank, as well as policy to avoid Credit concentration in any particular sector, coupled with its goodwill and customer loyalty shall ensure that the Bank shall be able to withstand developments in economy and extraneous factors that it may have to face.

### 2. Competition from existing and new commercial Banks

Competition in the financial sector has increased with the entry of new players and is likely to increase further as a result of further deregulation in the financial sector. The Bank may face competition both in raising resources and in deploying them.

#### Management Perception

The Bank has an established broad-based presence and has been taking steps to enhance customer satisfaction by upgrading skills, systems and technology to meet such challenges. The Bank is attempting to add quality assets on competitive terms. The Bank is also taking steps to enlarge its product bouquet. For more details on the business environment of the Bank, investors are advised to refer to the para on "Management Discussion and Analysis of Financial Condition and Results of Operations" on page no. 154 of this Letter of Offer.

**3. Material Changes in regulatory policies**

Major changes in the Government/RBI policies relating to banking sector may have an impact on the operations of the Bank.

**Management Perception**

The policy changes may result in both opportunities and challenges to the Bank. The Bank has presence for more than 68 years in the banking sector and does not perceive policy changes to be a major threat.

**4. Dis-intermediation in the financial markets**

Development of capital markets may result in dis-intermediation by current and potential borrowers whereby many companies may access the markets directly, thereby reducing their dependence on the Banking system.

**Management Perception**

The Bank has taken significant steps in widening its clientele base mainly in retail segment. The Bank has been endeavoring to develop presence in several financial services to earn more fee based income by focusing on businesses such as Foreign Exchange, Treasury, Investments, Cash Management, Insurance, Depository Services, Foreign remittance facility, etc.

**5. Forex risk**

Exchange rate fluctuations may have an impact on the Bank's financial performance. While Bank does not have significant foreign exchange exposures; it is exposed to fluctuation in foreign currency rates on unhedged exposure. Adverse movements in foreign exchange rates may also impact Bank's borrowers and this may, in turn, impact the quality of its exposure to these borrowers. Volatility in foreign exchange rates can adversely affect its business and future financial performance.

**Management Perception**

As per RBI guidelines, Banks are not allowed to keep open position on their foreign exchange transactions beyond prescribed limits on a daily basis. Foreign exchange transactions beyond such limits, if any, must be squared off at the end of each day. Hence, the risk from exchange rate fluctuations is minimised. The Board of Directors of the Bank has also prescribed limits for gaps or mismatches in maturities of Bank's foreign currency assets & liabilities and forward transactions in foreign exchange. The Bank operates within the limits fixed for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange, thus minimising the risks of mismatches in maturities and interest rates.

**6. Interest rate risk**

Interest rate volatility exposes the Bank to interest rate risk or market risk. Such interest rate risk has a potential impact on net interest income or net interest margin as well as on the market value of the fixed income securities held by the Bank in its investment portfolio.

**Management Perception**

These risks are inherent in the Banking business. However, the Bank has put in place a system of regular review of lending and deposit rates in order to minimise the interest rate risk. The Asset Liability Management Committee of the Bank reviews the risk on a regular basis. Continuous risk management measures are initiated depending upon the movement in the interest rates. The movement in the interest rates is closely monitored for appropriate action. For more details on the risk management procedures, investors are advised to refer to para on 'Risk Management System' on page no. 66 of this Letter of Offer.

7. The Bank is prohibited from doing trading activity in terms of section 8 of The Banking Regulation Act, 1949 that may act as an operational constraint.

8. In terms of Section 17 (1) of The Banking Regulation Act, 1949, every Banking company shall create a Reserve Fund and shall, out of the balance of profit of each year as disclosed in the profit and loss account prepared under Section 29 and before any dividend is declared, transfer to the Reserve Fund, a sum equivalent to not less than 20 per cent of such profit. However as per RBI directive it is 25%.



9. In terms of Section 19 of The Banking Regulation Act, 1949, there are some restrictions on the Banking companies regarding opening of subsidiaries, which may prevent the Bank from exploiting the emerging business opportunities.
10. In terms of Section 23 of The Banking Regulation Act, 1949, there are certain restrictions on the Banking companies regarding opening of new place of business and transfer of existing place of business, which may hamper the operational flexibility of the Bank.
11. In terms of Section 25 of The Banking Regulation Act, 1949, each Banking company has to maintain assets in India which is not less than 75 per cent of its demand and time liabilities in India which in turn may prevent the Bank from creating the overseas assets and exploiting overseas business opportunities.
12. There are large numbers of restrictions in The Banking Regulation Act, 1949, which may impair the flexibility of issuer's operations and affect/ restrict investors' rights.
  - a. The Banks can carry on business /activities as specified in the above Act. There is no flexibility to pursue profitable avenues if they arise in contrast with other companies where shareholders can amend the object clause to carry on activities profitable to the company.
  - b. There are restrictions in The Banking Regulation Act, 1949 regarding :-
    - (i) Management of a Bank including appointment of directors;
    - (ii) Borrowings and creation of floating charge thereby hampering leverage;
    - (iii) Expansion of business as branch needs to be licensed;
    - (iv) Disclosures in the profit and loss account and the balance sheet;
    - (v) Production of documents and availability of records for inspection by shareholders;
    - (vi) Reconstruction of Bank through amalgamation, etc.
  - c. Some of the rights of the shareholders like application for relief in cases of oppression and mismanagement and voluntary winding up may not be available to shareholders of a Bank.
  - d. No Banking Company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written-off.

### **Management Perception**

The above points from 7 to 12 are legal provisions and the Bank is abiding by the same.

### **Notes to Risk Factors :**

- ❖ Networth of the Bank as on September 30, 2005 is Rs. 103.20 crore. The size of the issue is Rs. 43.04 crore. The Book Value per share as on September 30, 2005 for Rs. 10/- face value is Rs. 34.53.
- ❖ The Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. The Bank is in dialogue with RBI in respect of Observation made by RBI in their report for previous years. RBI does not allow disclosure of its inspection and that all disclosures in this Letter of Offer are on the basis of management and audit reports of the Bank.
- ❖ The Bank has entered into certain related party transactions with its subsidiary 'The Western India Trustee & Executor Co. Ltd.'. For more details please refer to page no. 106 of this Letter of Offer.
- ❖ The attention of the investors is drawn to section 12(2) of the Banking Regulation Act, 1949, as amended in 1994 which states that: "No person holding shares in the Banking company shall in respect of any shares held by him, exercise voting rights on poll in excess of 10 per cent of the total voting rights of all the shareholders of the Banking company."





- ❖ The Directors of the Bank are not interested in any loan or advance given by the Bank to any person(s)/ company/companies nor are they beneficiaries of any loan or advance except as provided below :

**A. Loans & Advances**
**(Rs. in crores)**

Name	Relationship	Facility	Limit	Balance o/s as on 05.01.2006	Asset classification
SICOM Ltd.	Two SICOM nominated Directors are on Bank's Board	1. BG / LC 2. Short Term Loan (against FDR)	20.00	0.57	Standard
			23.25	8.25	Standard

**B. Financial Transaction other than Loans & Advances**
**(Rs. in crore)**

Name	Relationship	Facility	Limit (Cost of acquisition of portfolio)	Balance o/s as on 30.06.2005	Asset Classification							
					The acquisition of portfolio comprises of 487 individual accounts during take over. As on 30.06.05, the asset classification was as under							
					Standard		NPA					
		No. of Accounts	Amount	No. of Accounts	Amount							
SICOM Housing Development Finance Ltd.	SHDFL is 100% owned subsidiary of SICOM & two SICOM nominated Directors are on Bank's Board	Bank has purchased Housing loans portfolio of SHDFL of Rs. 9.19 crores as on 30.09.03.	4.33	6.57	245	2.53	168	4.04				

**Deposits accepted from SICOM Ltd.**

Date of Deposit	Amount of Deposit	Card Rate	Offer Rate	Period
10.10.2005	Rs. 15.00 crore	6.00%	7.00%	182 days
10.10.2005	Rs. 15.00 crore	6.00%	7.00%	182 days
10.10.2005	Rs. 5.00 crore	6.00%	7.00%	182 days

**(Rs. in crore)**

Name	Relationship	Facility	Limit	Balance o/s as on 31.12.2005	Asset classification
Makharia Synthetics (Division of Emtex Industries (India) Ltd.)	The nominees of Makharias are Directors on the Bank's Board.	TOD	—	NIL	Standard

- ❖ RBI circular no. DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 04, 2005 revised the guidelines on dividend payable by Banks as under :

Only those Banks, which comply with the following minimum prudential requirements, would be eligible to declare dividends without prior approval of RBI.

(i) The Bank should have :

- CRAR of atleast 9 per cent for preceding two completed years and the accounting year for which it proposes to declare dividend;



- Net NPA less than 7 per cent.

In case any bank does not meet the above CRAR norm, but is having a CRAR of atleast 9 per cent for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5 per cent.

- (ii) The Bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949.
- (iii) The Bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves and investment fluctuation reserve, etc.
- (iv) The proposed dividend should be payable out of the current year's profit after deducting extra-ordinary items of Income.
- (v) Reserve Bank should not have placed any explicit restrictions on the Bank for declaration of dividends.



**SUMMARY**

1. The Bank was founded by “Vima Maharshi” Late Shri W. G. alias Annasaheb Chirmule in 1936 as a part of Swadeshi Movement.
2. The Bank is in existence since 1936, i.e., more than 68 years.
3. It is a professionally managed Bank with track record of profitability.
4. The deposits of the Bank has grown at a CAGR of 14.80 per cent during past 10 years and during the same period advances have grown at a CAGR of 16.13 per cent and Total Income has grown at a CAGR of 9.29 per cent.
5. The Bank has implemented “Core Banking Solution” at 165 branches spread across 85 centres and is extending “Anywhere Banking Services” all through these centres.
6. The Bank has a branch network of 230 branches, 14 extension counters and 65 ATMs as on September 30, 2005 spread over 9 states.
7. The Bank offers diversified products including financing of Two and Four Wheelers, Housing Finance, Commercial Vehicles, Corporate Finance, Export Finance, Finance for Education and Finance to SMEs, etc.
8. The Bank is a part of National Financial Switch (NFS) and through this the customers of the Bank can operate their account from more than 5000 locations, besides the Bank has its own ATMs at 65 centres.

**THE ISSUE**

Equity Shares issued by the Bank	1,79,32,633 Equity Shares
Rights Entitlement	One Equity Share for every Two Equity Shares held on the Record Date
Record Date	January 25,2006
Issue Price per Equity Share	Rs. 24/-
Equity Shares outstanding prior to Rights Issue (Post Bonus Issue)	3,58,65,266 Equity Shares
Equity Shares outstanding after the Issue	5,37,97,899 Equity Shares
Terms of the Issue	For more information, see "Terms of the Issue" on page no. 183 of this Letter of Offer



**SELECTED FINANCIAL INFORMATION**

The following tables set forth the Bank's selected historical unconsolidated financial information derived from the Bank's audited unconsolidated financial statement for the fiscal/period year ended March 31, 2003, March 31, 2004, March 31, 2005 and September 30, 2005, all prepared in accordance with the Companies Act, 1956 and SEBI DIP Guidelines and restated as described in the Auditors Report of M/s. M. P. Chitale & Co. included in the section titled "Auditors Report" on page no. 108 of this Letter of Offer, and this table should be read in conjunction with the financial statements mentioned therein and the notes thereto.

**Selected Unconsolidated Financial Information of The United Western Bank Ltd.**

**Statement of Profit and Loss**

(Rs. in crore)

For the Year/Period ended	30.09.2005	31.03.2005	31.03.2004	31.03.2003
<b>INCOME:</b>				
Interest Earned	242.80	486.62	462.73	477.14
Other Income	33.16	65.77	133.17	144.75
<b>TOTAL INCOME</b>	<b>275.96</b>	<b>552.39</b>	<b>595.90</b>	<b>621.89</b>
<b>EXPENDITURE:</b>				
Interest Expended	166.73	340.09	340.88	358.25
Operating Expenses	70.04	128.87	122.22	125.58
<b>TOTAL EXPENDITURE</b>	<b>236.77</b>	<b>468.96</b>	<b>463.10</b>	<b>483.83</b>
Gross Profit before Tax and extraordinary items	39.19	83.42	132.80	138.06
Less: Extraordinary items	---	---	---	---
Less: Provisions and Contingencies	66.74	182.06	101.84	110.56
<b>NET PROFIT/(LOSS) FOR THE PERIOD/YEAR</b>	<b>(27.55)</b>	<b>(98.64)</b>	<b>30.96</b>	<b>27.50</b>
Add: Balance of Profit/(Loss) brought forward		0.06	1.73	6.69
Write back of Dividend recommended for F.Y.2003-04 but not approved		3.37	—	—
Less: Floating provision for NPA		—	—	5.00
Add: Transfer from Revenue and other Reserve		—	—	
Prior Period Adjustment		—	—	—
(Loss)/Profit Available for appropriation		((95.21)	32.70	29.19
<b>APPROPRIATIONS</b>				
Transfer from Revenue and other Reserve		59.15		
Transfer to Statutory Reserves		—	7.80	6.90
Transfer to Capital Reserves		—	0.03	
Transfer to Investment Fluctuation Reserve		—	19.75	15.50
Transfer to Revenue and other Reserve		—	—	—
Proposed dividend (including Tax)		—	5.06	5.06
Balance carried to Balance Sheet		(36.06)	0.06	1.73



Statement of Assets and Liabilities

(Rs. in crore)

As on	30.09.2005	31.03.2005	31.03.2004	31.03.2003
<b>ASSETS:</b>				
Cash in hand	64.99	58.40	77.14	51.38
Balances with RBI	257.13	315.42	28.04	182.21
Balances with Banks	65.94	237.07	283.46	238.16
Money at Call & Short Notice	---	---	---	---
Investments	2339.65	2102.35	2413.12	1678.13
Advances	3396.24	3976.28	3744.47	2657.68
Fixed Assets (net of revaluation reserves)	81.56	85.80	91.87	83.35
Other Assets	265.55	286.06	226.17	218.70
<b>TOTAL (A)</b>	<b>6471.06</b>	<b>7061.38</b>	<b>7116.27</b>	<b>5109.61</b>
<b>LIABILITIES:</b>				
Demand Deposits	878.40	892.36	851.18	458.36
Savings Deposits	1257.38	1184.38	1068.30	733.52
Term Deposits	3820.43	4376.13	4510.71	3299.16
<b>TOTAL DEPOSITS:</b>	<b>5956.21</b>	<b>6452.87</b>	<b>6430.19</b>	<b>4491.04</b>
Borrowings	39.77	37.89	60.03	197.78
Other Liabilities & Provisions	138.69	214.23	168.95	101.83
Subordinated Debts	114.70	134.70	176.20	90.00
<b>TOTAL (B)</b>	<b>6249.37</b>	<b>6839.69</b>	<b>6835.37</b>	<b>4880.65</b>
<b>NET ASSETS (C = A - B)</b>	<b>221.69</b>	<b>221.69</b>	<b>280.90</b>	<b>228.96</b>
Represented by:				
Share Capital (D)	29.89	29.89	29.89	29.89
Reserves & Surplus (E)	191.80	191.80	251.01	199.07
<b>TOTAL (D + E)</b>	<b>221.69</b>	<b>221.69</b>	<b>280.90</b>	<b>228.96</b>



**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The following tables set forth the Bank's selected historical consolidated financial information derived from the Bank's audited consolidated financial statement for the fiscal/period year ended March 31, 2003, March 31, 2004 and March 31, 2005, all prepared in accordance with the Companies Act, 1956 and SEBI DIP Guidelines and restated as described in the Auditors Report of M/s. M. P. Chitale & Co. included in the section titled "Auditors Report" on page no. 108 of this Letter of Offer, and this table should be read in conjunction with the financial statements mentioned therein and the notes thereto.

**Selected Consolidated Financial Information of The United Western Bank Ltd.**

**Statement of Profit and Loss**

**(Rs. in crore)**

For the Year ended	31.03.2005	31.03.2004	31.03.2003
<b>INCOME:</b>			
Interest earned	486.62	462.74	477.25
Other income	70.79	137.79	148.89
<b>TOTAL INCOME</b>	<b>557.41</b>	<b>600.53</b>	<b>626.14</b>
<b>EXPENDITURE:</b>			
Interest expended	339.85	340.76	358.15
Operating expenses	130.47	123.60	126.26
Provisions and contingencies	183.52	103.18	111.88
<b>TOTAL EXPENDITURE</b>	<b>653.84</b>	<b>567.54</b>	<b>596.29</b>
Profit net of inter company transactions	(96.43)	32.99	29.85
Earnings/(Loss) in Associates			
Consolidated Net profit/(loss) for the year before deducting Minorities' Interest	(96.43)	32.99	29.85
Less: Minorities' Interest	0.64	0.59	0.68
Consolidated profit/(loss) for the year attributable to the group	(95.79)	32.40	29.17
Add: Brought forward consolidated profit/(loss) attributable to the group	3.43	4.05	7.57
Less: Floating Provision	-	-	5.00
Profit available of appropriation	(92.36)	36.45	31.74
<b>APPROPRIATIONS</b>			
Transfer from Revenue Reserves	59.15	-	-
Transfer to Statutory Reserves	-	7.80	6.90
Transfer to Capital Reserve	-	0.03	-
Transfer to Special Reserve	0.50	0.50	-
Transfer to General reserves	1.64	3.22	0.88
Transfer to Investment Fluctuation Reserve	-	19.75	15.50
Proposed dividend & tax thereon	0.06	5.09	5.07
Balance carried over to consolidated balance sheet	(35.41)	0.06	3.39



Statement of Assets and Liabilities

(Rs. in crore)

As on	31.03.2005	31.03.2004	31.03.2003
<b>ASSETS :</b>			
Cash and Balances with Reserve Bank of India	373.82	357.18	342.22
Balances with Banks and money at call and short notice	237.07	283.47	250.39
Investments	2102.30	2413.09	1915.04
Loans & Advances	3976.28	3744.47	3145.45
Fixed Assets (net of revaluation reserves)	87.30	93.52	89.45
Other Assets	290.00	228.15	208.14
<b>TOTAL (A)</b>	<b>7066.77</b>	<b>7119.88</b>	<b>5950.69</b>
<b>LIABILITIES:</b>			
Deposits	6448.78	6427.53	5389.82
Borrowings	37.89	60.03	51.74
Other Liabilities & Provisions	350.36	345.86	250.45
Minorities Interest	2.43	1.69	1.14
<b>TOTAL (B)</b>	<b>6839.46</b>	<b>6835.11</b>	<b>5693.15</b>
<b>NET ASSETS (C = A – B)</b>	<b>227.31</b>	<b>284.77</b>	<b>257.54</b>
Represented by:			
Share Capital (D)	29.89	29.89	29.89
Reserves & Surplus (E)	197.42	254.88	227.65
<b>TOTAL (D + E)</b>	<b>227.31</b>	<b>284.77</b>	<b>257.54</b>





**GENERAL INFORMATION**

Dear Shareholder(s),

Pursuant to the resolution passed by the Board of Directors of the Bank at its meeting held on August 26, 2005 it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce :

**ISSUE OF 1,79,32,633 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 14/- PER SHARE (I.E., AT A PRICE OF RS. 24/- PER SHARE) AGGREGATING RS. 43.04 CRORE TO THE SHAREHOLDERS OF THE BANK ON RIGHTS BASIS IN THE RATIO OF ONE (1) EQUITY SHARE OF RS. 10/- EACH FOR EVERY TWO (2) EQUITY SHARES OF RS. 10/- EACH HELD ON THE RECORD DATE JANUARY 25, 2006. THE ISSUE PRICE IS 2.4 TIMES THE FACE VALUE OF THE EQUITY SHARE.**

**Registered & Head Office :**

**The United Western Bank Limited**

Registered Office : 172/4,  
United Western Bank Building, Powai Naka,  
Shivaji Circle, Satara, Maharashtra – 415 001  
Tel.: (02162) 231 722, 231 723; Fax: (02162) 231 513  
E-mail: [co-sec@uwbankindia.com](mailto:co-sec@uwbankindia.com)  
Website: [www.uwbankindia.com](http://www.uwbankindia.com)  
Registration No. MH-11-2550

**Address of the Registrar of Companies (RoC) :**

Registrars of Companies, Pune  
PMT Building, 3<sup>rd</sup> Floor, Deccan Gymkhana, Pune – 411 004

**DETAILS OF BOARD OF DIRECTORS**

The details of the Board of Directors of the Bank are given in the following table (as on January 23, 2006)

S. No.	Name & Designation (Shri)	Age	Address
1.	Satish Kashinath Marathe Chairman & CEO	55	“Apulki” Sadar Bazar, Near Land Devp. Bank, Satara – 415 001.
2.	Govind Anand Lele Director	51	Opp. Circuit House, Sadar Bazar, Satara – 415 001.
3.	Mahesh Anant Athavale Director	44	117/121/2, ‘Nandnandna’, Near kamala Nehru Park, Prabhat Road, Lane No. 12, Pune – 411 004.
4.	Ashok Baliram Telang Director	63	A/18, Shatdal CHS Ltd., Azad Lane, Off S.V. Road, Andheri (West), Mumbai – 400 058.
5.	Kanhaiyalal Hiralal Navandhar Director	55	45, Sadashiv Peth, Satara – 415 002
6.	Sharad Pandurang Upasani Director	67	412, Shalaka Hsg. Society, Maharshi Karve Road, Mumbai – 400 021.
7.	Prakash Baburao Nimbalkar Director	62	B/221, Vikasini Co-op. Hsg. Society Ltd., Plot No. 1-C, Sector-8B, CBD, Belapur, Navi Mumbai – 400 614.
8.	Umesh Moreshwar Kulkarni Director	40	B1/21, “Sarita Vaibhav” S. No. 119/2, Parvati, Sinhagad Road, Pune – 411 030
9.	Rajaram Govind Tanksale Director	55	“Chitragupta”, 476/16, Sadar Bazar, Near Land Development Bank, Satara – 415 001.
10.	Jatinder Singh Sahni	53	SICOM LTD., Nirmal Bldg, 1 <sup>st</sup> Floor, Nariman Point, Mumbai-400 021.

For more details regarding the Directors please refer to “Management” on page no. 81 of this Letter of Offer.

## THE UNITED WESTERN BANK LIMITED



### COMPANY SECRETARY & COMPLIANCE OFFICER

**Shri Raghavendra J. Joshi**

Company Secretary

The United Western Bank Ltd.

Secretarial Dept.

172/4, Raviwar Peth, Shivaji Circle,

Satara – 415 001

Tel: (02162) 231 513; Fax: (02162) 231 513

E-mail: [co-sec@uwbkindia.com](mailto:co-sec@uwbkindia.com)

**Investors may contact the Compliance Officer for any pre-Issue/post-Issue related matter.**

### LISTING

The existing Equity Shares of the Bank are listed on The Pune Stock Exchange Ltd., Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd. The Equity Shares to be issued through this Letter of Offer would also be listed on the Stock Exchanges mentioned above.

### ISSUE PROGRAMME

The subscription list will open at the commencement of banking hours and will close at the close of banking hours on the dates mentioned below .

<b>ISSUE OPENS ON</b>	<b>: FEBRUARY 10, 2006</b>
<b>LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS</b>	<b>: FEBRUARY 24, 2006</b>
<b>ISSUE CLOSSES ON</b>	<b>: MARCH 11, 2006</b>

### LEGAL ADVISORS TO THE ISSUE

**M/s. Kanga & Co.**

Advocates, Solicitors & Notary

Readymoney Mansion,

43, Veer Nariman Road,

Mumbai – 400 001

Tel: (022) 5633 2288/9643; Fax: (022) 5633 9656/9657

E-mail: [UWBL@kangacompany.com](mailto:UWBL@kangacompany.com)

### AUDITORS\*

**M/s M. P. Chitale & Co.**

**Chartered Accountants**

Hamam House, 1<sup>st</sup> Floor,

Ambalal Doshi Marg, Fort,

Mumbai – 400 001

Tel: (022) 2265 1186 / 3916; Fax: (022) 2265 5334

E-mail: [ulhas@mpchitale.com](mailto:ulhas@mpchitale.com)

\*The financial statements incorporated in this Letter of Offer have been audited by M/s. M. P. Chitale & Co, erstwhile Central Statutory Auditors of the Bank. The shareholders of the Bank have appointed, M/s. Mukund M. Chitale & Co., Chartered Accountants, as new Central Statutory Auditors of the Bank in the last AGM held on December 24, 2005. For more information on “ Changes in Auditors” please refer to page no. — of this Letter of Offer.

## THE UNITED WESTERN BANK LIMITED



### BANKERS TO THE ISSUE



#### **The United Western Bank Ltd.**

Venkatesh Chambers,  
Prescot Road,  
P. B. No. 714, Fort,  
Mumbai – 400 001.  
Tel: (022) 2207 2149/2207 4397; Fax: (022) 2207 4766  
E-mail: [uwbfort@vsnl.com](mailto:uwbfort@vsnl.com)  
Website: [www.uwbkindia.com](http://www.uwbkindia.com)  
**Contact Person: Shri P. H. Rasal (Sr. Manager)**



#### **Bank of Maharashtra**

45/47, Janamangal,  
Mumbai Samachar Marg,  
Fort,  
Mumbai – 400 023.  
Tel: (022) 2266 3947/2265 0778  
E-mail: [bomfomcr@bom7.vsnl.net.in](mailto:bomfomcr@bom7.vsnl.net.in)  
Website: [www.maharashtrabank.com](http://www.maharashtrabank.com)  
**Contact Person: Shri Y. K. Sharma (Chief Manager)**

### REGISTRAR TO THE ISSUE



#### **MCS Ltd.**

Sri Venkatesh Bhavan, Plot No. 27,  
Road No. 11, M.I.D.C., Andheri (E)  
Mumbai - 400093.  
Tel: (022) 5502 5235; Fax: (022) 5502 5256  
E-mail: [mcsmum@vsnl.com](mailto:mcsmum@vsnl.com)  
Website: [www.mcsind.com](http://www.mcsind.com)  
**Contact Person: Mr. Shashikant Kadam**

### ISSUE MANAGEMENT TEAM

#### LEAD MANAGER TO THE ISSUE



#### **A. K. Capital Services Ltd.**

135-136, Free Press House, 13<sup>th</sup> Floor,  
Free Press Journal Marg,  
215, Nariman Point,  
Mumbai – 400 021.  
Tel: (022) 5634 9300; Fax: (022) 5636 0977  
E-mail: [uwbrights@akgrouponline.com](mailto:uwbrights@akgrouponline.com)  
Website: [www.akcapindia.com](http://www.akcapindia.com)  
**Contact Person: Shri Sumit Arora**

#### CO-LEAD MANAGER TO THE ISSUE



#### **Centrum Capital Ltd.**

Khetan Bhavan, 5<sup>th</sup> Floor,  
198, J. Tata Road, Churchgate,  
Mumbai – 400 020.  
Tel (022) 2202 3838; Fax: (022) 2204 6096  
E-mail: [UWBRights@centrum.co.in](mailto:UWBRights@centrum.co.in)  
Website: [www.centrum.co.in](http://www.centrum.co.in)  
**Contact Person: Shri Mayank Dalal**

## THE UNITED WESTERN BANK LIMITED



Inter-se Allocation of Responsibilities between A. K. Capital Services Limited ("AK Caps") and Centrum Capital Limited ("Centrum") for the Rights Issue of The United Western Bank Limited

No.	Activities	Responsibility	Coordinator
1	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments	AK Caps	AK Caps
2	Drafting and Design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document. The designated Lead Merchant Banker shall ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	AK Caps	AK Caps
3	Marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres of holding conferences of brokers, investors etc. (iii) Bankers to the issue, (iv) collection centres (v) brokers to the issue and (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure, and deciding on the quantum of issue material.	AK Caps Centrum	AK Caps
4	Selection of various agencies connected with the issue, namely Registrars to the Issue, printers and advertisement agencies.	AK Caps Centrum	Centrum
5	Follow-up with Bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	Centrum	Centrum
6	The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, Bankers to the issue and Bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	Centrum	Centrum

### CREDIT RATING

Since the present issue is of equity shares, credit rating is not required. The details of the ratings received by the Bank for other securities/instruments in the last three years are as follows :

Rating Agency	Rating as on #	Security Type	Amount	Rating Code*	Notes
CARE	06-01-2004	Subordinated Bond Issue	Rs. 55 crore	CARE A-	Instruments carrying this rating are considered upper medium grade instruments and have many favourable investment attributes. Safety for principal & interest is considered adequate.

\* The rating of the said Bond Issue of the Bank downgraded to "CARE BB+" and further to "CARE B+". Instruments with such rating are generally classified susceptible to default. While interest and principal payments are being met, adverse changes in business conditions are likely to lead to default.

# At the same time the previous unrated Tier-II Bond Issues of the Bank were also assigned the same rating as 'CARE A-'. The ratings of all the previous Tier-II Bond Issues of the Bank have also been downgraded to "CARE B+" at present. Please refer to page no. 179 of this Letter of Offer for further details.



**TRUSTEES**

This being an issue of equity shares, appointment of Trustees is not required.

**IMPERSONATION**

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Act, which is reproduced below :

“Any person who

- i. makes in a fictitious name an application to a company for acquiring or subscribing for any shares thereon; or
- ii. otherwise induces a Company to allot or register any transfer of shares therein to him or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

**ALLOTMENT LETTERS / REFUND ORDERS**

The Bank will issue and dispatch letters of allotment/ share certificates/ demat credit or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of 42 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Bank becomes liable to pay it, the Bank shall pay that money with interest as stipulated under Section 73 of the Act.

**ELIGIBILITY FOR THE ISSUE**

The United Western Bank Ltd. is an existing Bank registered under the Indian Companies Act, 1913, whose Equity Shares are listed on BSE, NSE and PSE. It is eligible to offer this Rights Issue in terms of Clause 2.4.1 (iv) of the SEBI DIP Guidelines. The Bank, its Directors or any of the Bank’s subsidiaries are currently not prohibited from accessing the capital market under any order or direction passed by SEBI.

**UTILISATION OF ISSUE PROCEEDS**

The Board of Directors undertake that all the moneys received out of this Rights Issue of Equity Shares through this Letter of Offer shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73.

**MINIMUM SUBSCRIPTION**

If the Bank does not receive the minimum subscription of 90 per cent of the Issue including devolvement of underwriters, the entire subscription shall be refunded to the applicants within 42 days from the date of closure of the Issue. If there is any delay in the refund of subscription amount by more than 8 days after the Bank becomes liable to refund the subscription amount (i.e. forty two days after the closure of the Issue), the Bank will pay interest for the delayed period, at rates prescribed under sub sections (2) and (2A) Section 73 of the Companies Act, 1956.

**STANDBY UNDERWRITING ARRANGEMENT**

The Bank has decided to partially underwrite the Issue. The Lead Manager and Co-Lead Manager have, jointly, agreed to partially underwrite the issue to the tune of Rs. 15.00 crore (i.e., 62,50,000 Equity Shares of Rs. 10/- each at a premium of Rs. 14/- per share aggregating Rs. 15.00 crore) at an underwriting commission of 2.50 per cent of the face value of the amount underwritten.

S. No.	Name and Address of Underwriters	No. of Shares Underwritten	Amount Underwritten (Rs.)
1.	<b>A. K. Capital Services Ltd.</b> SEBI Reg. No. INU000001140 Flat No. “N”, Sagar Apartments, 6, Tilak Marg, New Delhi – 110 001.	34,37,500	8,25,00,000
2.	<b>Centrum Capital Ltd.</b> SEBI Reg. No. INU000000761 2 <sup>nd</sup> Floor, Bombay Mutual Building, Dr. D. N. Road, Fort, Mumbai – 400 001	28,12,500	6,75,00,000

The above Underwriting Agreement is dated January 6,2006.

## **THE UNITED WESTERN BANK LIMITED**

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In the opinion of Board of Directors of the Bank (based on a certificate given by Underwriters), the resources of the above-mentioned Underwriters are sufficient to enable them to discharge their underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. The Board, at their meeting held on October 17, 2005, has accepted the terms and the Bank have entered into the Underwriting Agreement mentioned above.



## CAPITAL STRUCTURE

(As on September 30, 2005 in Rs.)

	Face Value	Issue Amount
<b>A. Authorised capital</b> 10,00,00,000 Equity Shares of Rs. 10/- each	100,00,00,000/-	
<b>B. Issued capital</b> 3,00,00,000 Equity Shares of Rs. 10/- each	30,00,00,000/-	
<b>C. Subscribed and Paid up Capital-</b> 2,98,87,722 Equity Shares of Rs. 10/- each	29,88,77,220/-	
<b>D. Issue of Bonus Shares*</b> 59,77,544 Equity Shares of Rs. 10/- each issued as Bonus Share in the ratio of 1:5 by capitalising from Share Premium Account	5,97,75,440/-	
<b>E. Present Issue being offered to the Equity</b> Shareholders through the Letter of Offer* 1,79,32,633 Equity Shares of Rs. 10/- each at a premium of Rs. 14/- per Share	17,93,26,330/-	43,03,83,192/-
<b>F. Paid-up capital after the issue</b> 5,37,97,899 Equity Shares of Rs. 10/- each	53,79,78,990/-	
<b>G. Share premium account</b> Before the issue After the issue	54,73,01,000/- 73,85,82,422/-	

**\* Composite Record Date**

The Bank had made an application to SEBI dated September 06, 2005 seeking exemption from the applicability of para 8.7.1 of SEBI (DIP) Guidelines, 2000 and had requested permission to fix the Composite Record Date/Book closure for the purpose of deciding the entitlements of Bonus and Rights issue. Accordingly, SEBI vide its letter no. CFD/DIL/MISC/PB/PR/55312/2005 dated December 07, 2005 have granted the said exemption and the Bank has been permitted to have a Composite Record Date. In terms of the said exemption, Composite Record Date/Book Closure has been fixed as January 25, 2006. The offer of Rights Shares made in pursuance of this Letter of Offer is on the basis of Post-Bonus allotment holdings.

**Issued Capital: The issued capital of 3,00,00,000 equity shares consists of:**

1,30,000 equity shares which were held in abeyance in respect of those shareholders whose offers were held in abeyance and to tackle the complaints relating to non-receipt of CAF in respect of Rights Issue of the Bank made during the year 1995. As per the scheme of Stock Exchange, the shareholders whose offers were held in abeyance were given an option to subscribe to the shares. In response to this the Board of Directors allotted 17,722 equity shares on 30.03.1996 and the remaining 1,12,278 equity shares could not be allotted and hence lapsed. As a result of above no Bonus or Rights Shares shall accrue on these 1,12,278 equity shares since lapsed.



NOTES

1. Share Capital history since incorporation

Date of Allotment	No. of Shares	Face Value	Issue Price	Cumulative Paid - Up	Consideration	Remarks
10.10.1936	280	50/-	50/-	14,000/-	Cash	Subscription to Memorandum
1937 to 1950	6,480	50/-	50/-	3,38,000/-	Cash	—
1961	6,240	50/-	50/-	6,50,000/-	Cash	—
1962 to 1966	4,780	50/-	50/-	8,89,000/-	Cash	—
1967	6,220	50/-	50/-	12,00,000/-	Cash	—
1968	2,000	50/-	50/-	13,00,000/-	Cash	—
1972	10,000	50/-	50/-	18,00,000/-	Cash	—
1973	4,000	50/-	50/-	20,00,000/-	Cash	—
1976	8,000	50/-	50/-	24,00,000/-	Cash	—
1979	12,000	50/-	50/-	30,00,000/-	Cash	—
1981	20,000	50/-	50/-	40,00,000/-	Cash	—
29.10.1984	16,663	50/-	50/-	48,33,150/-	Cash	Issue of Right Shares
26.12.1984	3,337	50/-	50/-	50,00,000/-	Cash	Issue of Right Shares
28.10.1986	27,158	50/-	50/-	63,57,900/-	Cash	Issue of Right Shares
30.12.1986	22,842	50/-	50/-	75,00,000/-	Cash	Issue of Right Shares
28.10.1988	34,389	50/-	50/-	92,19,450/-	Cash	Issue of Right Shares
28.12.1988	15,611	50/-	50/-	1,00,00,000/-	Cash	Issue of Right Shares
23.01.1990	1,12,656	50/-	50/-	1,56,32,800/-	Cash	Issue of Right Shares
30.03.1990	2,87,344	50/-	50/-	3,00,00,000/-	Cash	Issue of Right Shares
29.08.1992	30,00,000	10/-	10/-	3,00,00,000/-	Share Split	Subdivision of Face Value of each Equity Share from Rs. 50/- into Rs. 10/-
25.11.1992	44,17,925	10/-	10/-	7,41,79,250/-	Cash	Issue of Right Shares
27.01.1993	15,82,075	10/-	10/-	9,00,00,000/-	Cash	Issue of Right Shares
08.03.1994	30,00,000	10/-	20/-	12,00,00,000/-	Cash	Public Issue of Shares
14.12.1995	1,78,77,722	10/-	40/-	29,88,77,220/-	Cash	Issue of Right Shares

**Note:** The shares issued and allotted prior to 1992 were of the face value of Rs. 50/- each. The face value of the shares was split to Rs. 10/- each in FY 1992-93.

- The Authorised Share Capital of the Bank at the time of incorporation was Rs. 5,00,000 and was increased from time-to-time and the present Authorised Capital is Rs. 100 crore, which was raised from Rs. 50 crore by passing a Special Resolution at the Extraordinary General Meeting, held on August 7, 2000.
- Promoters' Contribution/Lock-in Requirement, etc.:

Since there is no identifiable promoter, the provisions relating to promoters contribution, lock in of promoters shares, promoters aggregate shareholding and entitlement in the Rights Issue are not applicable. The Directors of the Bank hold 5600 equity shares of the Bank amounting to 0.018 per cent of the paid-up share capital of UWB.





4. Current shareholding pattern of the Bank (as on December 31, 2005)

Name	Pre Issue Shareholding pattern		Post Bonus Issue Shareholding pattern*		Post Rights Issue Shareholding pattern	
	No. of shares	Percentage	No. of shares	Percentage	No. of shares	Percentage
Directors & Relatives of Directors	5600	0.02%	6720	0.02%	10080	0.02%
FII's/NRIs	325741	1.09%	390889	1.09%	586334	1.09%
Mutual Funds	—	—	—	—	—	—
Banks, Insurance Companies & Financial Institutions	5308717	17.76%	6370460	17.76%	9555691	17.76%
Private Corporate Bodies	4845099	16.21%	5814119	16.21%	8721178	16.21%
Individuals	16965676	56.76%	20358811	56.76%	30538217	56.76%
Trust	—	—	—	—	—	—
Others (Trade Unions)	2436889	8.15%	2924267	8.15%	4386400	8.15%
<b>Total</b>	<b>29887722</b>	<b>100.00%</b>	<b>35865266</b>	<b>100.00%</b>	<b>53797900</b>	<b>100.00%</b>

\* Assuming all shareholders are allotted Bonus Shares and all of them apply for and are allotted Rights Shares in the ratio of 1 Equity Share for every 2 Equity Shares on the post bonus share capital held on Record Date January 25, 2006. Total number of shares entitled for the present Rights Issue in the ratio of 1 (one) Equity Share for every 2 (two) Equity Shares held is 3,58,65,266 Equity Shares.

5. Top Ten shareholders – (to be updated finally at the time of submission of final Letter of Offer with Stock Exchange)

Top ten shareholders as on filing of Letter of Offer with Designated Stock Exchange

Sr. No.	Name of Shareholder	Total Shares	Percentage of pre issue capital
1.	SICOM Ltd.	29,64,370	9.9184
2.	UWB Karmachari Sangh	14,94,000	4.9987
3.	UWB Officers Organisation	9,42,889	3.1548
4.	IndusInd Bank Ltd.	7,99,527	2.6751
5.	Matterhorn Ventures	5,50,000	1.8402
6.	Parmeshwari Fabrics Pvt. Ltd.	5,47,050	1.8304
7.	Life Insurance Corporation of India	4,46,850	1.4951
8.	The Sangli Bank Ltd.	4,19,484	1.4035
9.	Maliram Makharia Finstock Pvt. Ltd.	3,23,726	1.0831
10.	Ashish Makharia	3,00,180	1.0043

Top ten shareholders as on two years prior to filing of Letter of Offer with Designated Stock Exchange

Sr. No.	Name of Shareholder	Total Shares	Percentage of pre issue capital
1.	SICOM Ltd.	29,64,370	9.9184
2.	UWB Karmachari Sangh	14,94,000	4.9987
3.	IndusInd Bank Ltd.	9,96,900	3.3355
4.	UWB Officers' Organisation	9,42,889	3.1548
5.	The Sangli Bank Ltd.	6,67,548	2.2340
6.	Parmeshwari Fabrics Pvt. Ltd.	5,47,050	1.8300
7.	Abhishek Makharia	4,69,600	1.5710
8.	Life Insurance Corporation of India	4,46,850	1.4951
9.	Prerana Makharia	3,98,250	1.3320
10.	Maliram Makharia Finstock Pvt. Ltd.	3,39,300	1.1352



Top ten shareholders as on ten days prior to filing of Letter of Offer with Designated Stock Exchange

Sr. No.	Name of Shareholder	Total Shares	Percentage of pre issue capital
1.	SICOM Ltd.	29,64,370	9.9184
2.	UWB Karmachari Sangh	14,94,000	4.9987
3.	UWB Officers Organisation	9,42,889	3.1548
4.	IndusInd Bank Ltd.	7,99,527	2.6751
5.	Matterhorn Ventures	5,50,000	1.8402
6.	Parmeshwari Fabrics Pvt. Ltd.	5,47,050	1.8304
7.	Life Insurance Corporation of India	4,46,850	1.4951
8.	The Sangli Bank Ltd.	4,04,320	1.3500
9.	Maliram Makharia Finstock Pvt. Ltd.	3,23,776	1.0833
10.	SKIL SEZ Infrastructure Holding Pvt. Ltd.	3,04,991	1.0200

**Note :** The Bank has not made an Initial Public Offering within the immediately preceding two years.

6. The Bank has revaluated its assets in 1993 and 2001, however no issue of equity shares has been made from revaluation reserves.
7. The Bank has not issued any shares for consideration other than cash except the capitalisation of share premium for issue of bonus shares. Refer Capital Structure and the notes thereunder.
8. The number of shareholders of the Bank as on December 31, 2005 is 45,016.
9. The Directors of the Bank have not undertaken/financed directly or indirectly transactions in the shares of the Bank in the last 6 months except for the following :

S. No.	Name of the Director/Director's Relative	Number of Shares Transacted	Particulars
1.	Smt. Asha Sharad P. Upasani and Shri Sharad P. Upasani	3000	Sold during the period 13.08.2005 – 19.08.2005

10. The Bank shall not make further issue of capital till the shares of the present issue are listed or application money is refunded on account of the failure of the issue.
11. The attention of the investors is drawn to section 12 (2) of the Banking Regulation Act 1949, subsequently amended which states that: "No person holding shares in the Banking company shall in respect of any shares held by him, exercise voting rights on poll in excess of 10 per cent of the total voting rights of all the shareholders of the Banking company."
12. There is no "buy back" or "standby arrangement" for the purchase of equity shares offered through this Letter of Offer by the Directors or Lead Merchant Bankers except for the underwriting arrangements made by the Bank.
13. At any given time, there shall be only one denomination of the Equity Shares of the Bank. The Equity Shareholders of the Bank do not hold any warrant, option or convertible loan or debenture, which would entitle them to acquire further shares in the Bank.
14. The Bank has submitted its Capital Raising Plan to Reserve Bank of India to comply with the capital adequacy norms and it intends to raise fresh capital within next 6 months by way of preferential issue, public issue (domestic/foreign), etc. and the amount to be raised is yet to be ascertained.
15. The shares offered through this Rights Issue would be fully paid-up and the entire amount would be received with the application.
16. There are no outstanding 'bridge loans' or any other financial arrangements, which will be repaid out of the proceeds of the current issue.
17. The Issue will remain open for 30 days. However, the Board will have the right to extend the issue period as it may determine from time to time but not exceeding 60 days from the issue opening date.



## OBJECTS OF THE ISSUE

The present offer is made to augment the Tier-I Capital of the Bank. The objects of the issue are :

- To enhance the capital adequacy ratio by augmenting Tier I capital;
- To defray the issue expenses.

### Capital Adequacy For Last Five Years

The Bank's Capital Adequacy position as at March 31, 2005 was 4.86 per cent, as against the RBI stipulation of 9 per cent. The details of capital vis-à-vis risk weighted assets for the last five financial years are as under :

(Rs. in crore)

Financial Year ended 31.03.	2001	2002	2003	2004	2005
Eligible Tier I Capital	195.25	207.18	191.37	183.27	81.42
Eligible Tier II Capital	87.72	83.30	105.98	164.70	81.42
Total Capital	282.97	290.48	297.35	347.97	162.84
Total Risk-Adjusted Assets	2917.48	2966.31	2992.40	3436.22	3346.78
Capital Adequacy Ratio (%)	9.70	9.79	10.17	10.13	4.86

The Bank's Capital Adequacy Ratio has increased during FY 2001 to FY 2003 from 9.70 per cent on March 31, 2001 to 10.17 per cent on March 31, 2003. It has however declined to 10.13 per cent during 2003-04 and further to 4.86 per cent during 2004-05.

The Bank is gearing up to meet the challenges of Basel II accord as and when implemented. Effective risk management is critical to the Bank's success. Basel II accord provides for reclassification of risk-adjusted components, weightage of components. The Bank also visualise the changing scenario in Risk Management vis-à-vis operational risk, technological risk, infrastructure risk, disaster recovery management, credit risk, market risk and need for taking proactive approach to retain its competitiveness. The present Rights Issue will help in improving the capital adequacy ratio, Tier I capital and help meeting the changing scenario in post Basel II period.

### Issue Expenses

The portion of the Rights Issue proceeds will be used to meet Issue expenses estimated at Rs. 1.00 crore plus underwriting commission. For more information on the 'Expenses of the Issue', please refer to page no.176 of this Letter of Offer.

### Appraisal

The present Rights Issue being done with an objective to improve the capital adequacy ratio and to defray the issue expenses, no appraisal of the same is required and therefore no such entity has been appointed.



**BASIS FOR ISSUE PRICE**

**Qualitative Factors**

1. Bank with more than 68 years of existence.
2. Professionally managed Bank with a track record of profitability.
3. Consistent growth in Deposits (CAGR 14.80 per cent), Advances (CAGR 16.13 per cent) and Total Income (CAGR 9.29 per cent) in the past 10 years.
4. The Bank has its own “Core Banking Solution” which is operational at 170 branches spread across 85 centres and is extending “Anywhere Banking Services” in all through these centres.
5. A sizable distribution infrastructure comprising 230 branches and 14 extension counters and network of 65 ATMs as on September 30, 2005 linked to National Financial Switch of IDRBT giving access over 5000 ATMs spread throughout the country.
6. Capital Adequacy Ratio of 3.15 per cent as on September 30, 2005 against 4.86 per cent as on March 31, 2005.
7. The Book Value of the Bank is Rs. 34.53 per share as on September 30, 2005 against Book Value of Rs. 43.75 as on March 31, 2005 and negative EPS of Rs. 9.22 per share as on September 30, 2005 (not annualised) against negative EPS of Rs. 33.00 per share as on March 31, 2005 (annualised). \*

**\* Notes :**

The recovery of NPAs has always been on the top agenda of the Bank. The Bank has been able to bring down the Gross and Net NPA level from as high as 18.78 per cent and 13.73 per cent in December 2002 to 10.72 per cent and 5.83 per cent respectively as on March 31, 2005. The provisioning coverage now stands increased to 47 per cent as against 33 per cent last year.

For the FY 2005 and quarter ended September 30, 2005, the Bank reported operating profit of Rs. 83.42 crore and Rs. 39.19 crore respectively. However, the Bank declared a net loss of Rs. 98.64 crore for FY 2005 and net loss of Rs. 27.55 crore for the half-year ended September 30, 2005.

The loss in FY 2005 is mainly on account of the Prudential Write Off of Rs. 59.15 crore, Provisions of Rs. 66.05 crore, including additional graded provisions towards NPAs and a provision of Rs. 67.00 crore on account of depreciation of the Government Securities portfolio. The Bank has also made a Provision of Rs. 20.65 crore towards payment of wage arrears as necessitated to comply with AS-29.

For more details please refer section on “Management Discussion and Analysis of Financial Condition and Results of Operations” on page no. 154 of this Letter of Offer.

**Quantitative Factors**

**PRE – BONUS ISSUE OF EQUITY SHARES IN THE RATIO OF 1:5**

**1. Basic Earning per Share (EPS)**

Financial Year	Basic EPS (Rs.)	Weight used
2002-2003	9.20	1
2003-2004	10.36	2
2004-2005	(33.00)	3

Weighted Average for last three years: Rs. (11.51)

**POST – BONUS ISSUE OF EQUITY SHARES**

**1. Dilutive Earning per Share (EPS)**

Financial Year	Dilutive EPS (Rs.)	Weight used
2002-2003	7.67	1
2003-2004	8.63	2
2004-2005	(27.50)	3

Weighted Average for last three years: Rs. (9.59)



**2. Price Earnings Ratio (P/E Ratio) in relation to Offer price of Rs. 24/- per share**

Weighted average EPS is negative, thereby making calculation of P/E ratio not meaningful

**3. Industry P/E Ratio**

Highest (Lakshmi Vilas Bank)	83.40
Lowest (City Union Bank)	5.40
Average (Industry Composite)	21.90

(Source: Capital Market – Vol. XX/16 dated Oct. 10 – 23, 2005)

**4. Return on Networth**

Financial Year	RONW (%)	Weight used
2002-2003	12.45	1
2003-2004	13.31	2
2004-2005	(75.44)	3

Weighted average for the last three years: (187.25)%

**5. Minimum Return on post-issue Net Worth to maintain pre-issue EPS cannot be computed since the Bank has reported loss for last year.**

**6. Net Asset Value (NAV) per share in relation to Offer Price of Rs. 24/- per share**

As at 31.03.2005	Rs. 43.75
After the Bonus Issue based on financials of FY 2005	Rs. 36.50
After the Rights Issue based on financials of FY 2005	Rs. 24.30
Issue Price to Book Value ratio on financials for FY 2005	0.55x
Issue Price to Book Value ratio after the Rights Issue	0.98x
Closing Price (as at NSE on December 30, 2005)	Rs. 61.40
Issue Price to Market Price (as on December 30, 2005)	0.39x

**7. Comparison of accounting ratios of the Bank with Industry average and accounting ratios of peer group for 2004–05 :**

Name of Bank	EPS (Rs.)	P/E	NAV (Rs.)	RONW (%)
Bank of Rajasthan	3.10	29.50	30.60	11.00
City Union Bank	18.80	5.40	100.30	20.90
Lakshmi Vilas Bank	1.70	83.40	140.20	1.50
IndusInd Bank	7.20	10.00	28.50	27.00
South Indian Bank	1.80	-	95.40	2.10
Peer group average	6.52	25.66	79.00	12.50
United Western Bank	(33)	-	43.75	-

(Source: Capital Market – Vol. XX/16 dated Oct. 10 – 23, 2005 and actual in case of UWB)

Peer group average is simple average of above multiples

The Lead Managers believe that the issue price of Rs. 24 per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and financials of the Bank including important profitability and return ratios, as set out in the Auditors Report in the Letter of Offer to have more informed view about the investment proposition.

**STATEMENT OF TAX BENEFITS**

M/s M. P. Chitale & Co., Chartered Accountants vide their letter dated September 3, 2005 have advised under the Income Tax Act, 1961, Gift Tax Act, 1957, Wealth Tax Act, 1957 for the time being in force, the following tax benefits which will inter alia, be available to the Bank and its members. Tax benefit report has been reproduced as under.

The information provided below sets out the possible tax benefits available to the Bank and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Bank faces in the future, the Bank may or may not choose to fulfill. The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue.

**A. TO THE BANK**

1. There are no additional benefits arising to the Bank under the Income Act, 1961 by issue of Right Equity Shares to the existing shareholders.

**B. TO THE SHAREHOLDERS OF THE BANK****TAX BENEFITS UNDER THE INCOME TAX ACT, 1961****1. To all the Shareholders****I RESIDENTS**

1. Members will be entitled to exemption, under section 10(34) of the Income Tax Act, 1961, in respect of the income by way of dividend received from the Bank.
2. The long-term Capital Gains accruing to the members of the Bank on sale of the Bank's shares in a transaction entered into in a recognized stock exchange in India, would be exempt from tax as per the provisions of section 10(38).
3. The short-term Capital Gains accruing to the members of the Bank on sale of the Bank's shares in a transaction entered into in a recognized stock exchange in India, would be chargeable to tax @ 10 per cent (plus applicable surcharge and education cess) as per the provisions of section 111A.
4. As per the provisions of section 112 of the IT Act, the long-term Capital Gains accruing to the members of the Bank from the transfer of the shares of the Bank, otherwise than as mentioned in point 1.2 above, shall be charged to tax
  - @ 20 per cent (plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition, or
  - 10 per cent (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.
5. The members are entitled to claim exemption in respect of tax on long term capital gains under sections 54EC and 54ED of the IT Act, if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in those sections.
6. Individuals or HUF members can avail exemption under section 54F by utilization of the sales consideration for purchase / construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

**II. NON-RESIDENTS**

1. Non-resident members will be entitled to exemption, under section 10(34) of the Income Tax Act, 1961, in respect of the income by way of dividend received from the Bank.
2. The long-term Capital Gains accruing to the members of the Bank on sale of the Bank's shares in a transaction entered into in a recognized stock exchange in India, would be exempt from tax as per the provisions of section 10(38).
3. The short-term Capital Gains accruing to the members of the Bank on sale of the Bank's shares in a transaction entered into in a recognized stock exchange in India, would be chargeable to tax @ 10 per cent (plus applicable surcharge and education cess) as per the provisions of section 111A.
4. As per the provisions of section 112 of the IT Act, the long-term capital gains accruing to the members of the Bank from the transfer of the shares of the Bank, otherwise than as mentioned in point 2.2 above, shall be charged to tax –
  - @ 20 per cent (plus applicable surcharge and education cess) after deducting from the sale proceeds the indexed cost of acquisition or
  - @ 10 per cent (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation.
5. The members are entitled to claim exemption in respect of tax on long-term Capital Gains under sections 54EC and 54ED of the IT Act, if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in those sections.
6. Individuals or HUF members can avail exemption under section 54F by utilization of the sales consideration for purchase / construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.
7. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement (DTAA) between India and the country of residence of the non -resident are more beneficial, then the provisions of the DTAA shall be applicable.
8. Non-Resident Indians (as defined in section 115C(e) of the IT Act), being shareholders of an Indian Bank, have the option of being governed by the provisions of Chapter XII - A of the IT Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:
  - As per the provisions of section 115E of the IT Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of Bank's shares will be charged to Income Tax @ 10 per cent (plus applicable surcharge and education cess)
  - As per the provisions of section 115F of the IT Act and subject to the fulfillment of the conditions specified therein, the long-term Capital Gains arising on the transfer of Bank's shares shall be exempted from income tax entirely / proportionately, if all or a portion of the net consideration is invested within six months of the date of transfer in specified assets as defined in section 115C (f) or any savings certificates referred to in section 10(4B) of the IT Act. The amount so exempted shall, however, be chargeable to tax as long-term capital gains under the provisions of section 115F(2) if the specified assets are transferred or converted in to money within three years from the date of acquisition thereof as specified in the said section.
  - As per the provisions of section 115G of the IT Act, Non-Resident Indians are not obliged to file a return of income under section 139(l) of the IT Act, if their only source of income is income from investments or long-term Capital Gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII – A of the IT Act.



- Under Section 115H of the IT Act, where a Non Resident Indian, in relation to any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he / she may furnish to the Assessing Officer a declaration in writing, along with his / her return of income under section 139 of the IT Act, for the assessment year for which he / she is so assessable, to the effect that the provisions of the Chapter XII – A shall continue to apply to him / her in relation to investment income derived from any foreign exchange asset, being an asset of the nature referred to in sub clause ( ii ) to clause (v) of clause (f) of section 115C, in which case, the provisions of Chapter XII – A shall continue to apply to him / her in relation to such income for that assessment year until the transfer or conversion ( otherwise than by transfer ) into money of such assets.
- As per the provisions of section 115 – I of the IT Act, when a non resident Indian, elects not to be governed by the provisions of Chapter XII – A of the IT Act, then his / her total income shall be computed and charged in accordance with other provisions of the IT Act.

### **III FOREIGN INSTITUTIONAL INVESTORS**

1. Income by way of dividend received on shares of the Bank is exempt under section 10(34) of the IT Act.
2. The long-term capital gains accruing to the members of the Bank on sale of the Bank's shares in a transaction entered into in a recognized stock exchange in India, would be exempt from tax as per the provisions of section 10(38).
3. The short-term capital gains accruing to the members of the Bank on sale of the Bank's shares in a transaction entered into in a recognized stock exchange in India, would be chargeable to tax @ 10 per cent (plus applicable surcharge and education cess) as per the provisions of section 111A.
4. Under section 115AD (1) (b) (ii) of the IT Act, income by way of short term capital gains arising from the transfer of shares (otherwise than as mentioned in 3.3 above) held in the Bank for a period of less than 12 months will be taxable @ 30 per cent (plus applicable surcharge and education cess).
5. Under section 115AD (1) (b) (iii) of the IT Act, income by way of long-term Capital Gains arising from the transfer of shares (otherwise than as mentioned in 3.2 above) held in the Bank will be taxable @ 10 per cent (plus applicable surcharge and education cess). It is to be noted here that the benefits of the indexation and foreign currency fluctuation protection as provided by section 48 of the IT Act are not available to Foreign Institutional Investors.
6. Long-term Capital Gain on sale of shares of the Bank by the members shall be exempt from income tax, if such gains are invested in Bonds / Equity Shares specified in sections 54EC and 54ED of the IT Act, respectively subject to the fulfillment of the conditions specified in those sections.
7. Under the provisions of section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement (DTAA) between India and the country of residence of the Non - Resident are more beneficial, then the provisions of the DTAA shall be applicable.

### **IV MUTUAL FUNDS**

As per the provisions of section 10(23D) of the IT Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds setup by Public Sector Banks or Public Financial Institutions and Mutual Funds authorized by Reserve Bank of India would be exempt from Income Tax.

### **V BENEFITS UNDER THE WEALTH TAX ACT, 1957**

Assets as defined under section 2 (ea) of the Wealth Tax Act, 1957, does not include shares in Banks and hence, shares are not liable to Wealth Tax.

### **VI BENEFITS UNDER THE GIFT TAX ACT, 1958**

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares of the Bank will not attract Gift Tax.



**OVERVIEW OF THE BANKING SECTOR**

*The information presented in this section has been extracted from publicly available documents, which have not been prepared or independently verified by the Bank, the Lead Manager or any of their respective affiliates or advisors.*

**History**

The evolution of the modern commercial Banking industry in India can be traced to 1786 with the establishment of the Bank of Bengal in Calcutta. Three presidency Banks were set up in Calcutta, Bombay and Madras. In 1860, the limited liability concept was introduced in Banking, resulting in the establishment of joint stock Banks like Allahabad Bank Limited, Oriental Bank of Commerce Limited, Bank of Baroda Limited and Bank of India Limited. In 1921, the three presidency Banks were amalgamated to form the Imperial Bank of India, which took on the role of a commercial Bank, a Bankers' Bank and a Banker to the Government. The establishment of RBI as the central Bank of the country in 1935 ended the quasi-central Banking role of the Imperial Bank of India. In order to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state sponsored Bank taking over the Imperial Bank of India and integrating with it, the former state-owned and state-associate Banks. Accordingly, the State Bank of India ("SBI") was constituted in 1955. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former state-associate Banks as its subsidiaries. In 1969, 14 private Banks were nationalized followed by six private Banks in 1980. Since 1991, financial reforms have been introduced substantially transforming the Banking industry in India.

**Reserve Bank of India**

RBI is the central Banking and monetary authority in India. RBI manages the country's money supply and foreign exchange and also serves as a Bank for the GoI and for the banks in the country. In addition to these traditional central-Banking roles, RBI undertakes certain developmental and promotional activities.

RBI issues guidelines, notifications and circulars on various areas, including exposure standards, income recognition, asset classification, provisioning for non-performing assets, investment valuation and capital adequacy standards for commercial Banks, long-term lending institutions and non-Banking finance companies. RBI requires these institutions to furnish information relating to their businesses to RBI on a regular basis.

**Commercial Banks**

Commercial Banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. At the end of December 2004 there were 286 scheduled commercial Banks in the country, with a network of 67,742 branches. Scheduled commercial Banks are Banks that are listed in the second schedule to the RBI Act 1934, and may further be classified as public sector Banks, private sector Banks and foreign Banks. Industrial Development Bank of India was converted into a Banking company by the name of Industrial Development Bank of India Limited with effect from October 2004 and is a scheduled commercial Bank. Scheduled commercial Banks have a presence throughout India, with nearly 69.72 per cent of Bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector Banks.

**Public Sector Banks**

Public Sector Banks make up the largest category of Banks in the Indian Banking system. There are 27 public sector Banks in India. They include the SBI and its associate Banks and 19 nationalized Banks. Nationalised Banks are governed by the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and 1980. The Banks nationalized under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and 1980 are referred to as 'corresponding new Banks'.

**Regional Rural Banks**

Regional Rural Banks were established from 1976 to 1987 jointly by the Central Government, State Governments and sponsoring public sector commercial Banks with a view to develop the rural economy. Regional Rural Banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. There were 196 Regional



Rural Banks at the end of December 2004 with 14,423 branches, accounting for 3.46 per cent of aggregate deposits and 2.90 per cent of gross Bank credit outstanding of scheduled commercial Banks.

### **Private Sector Banks**

After Bank nationalisation in 1969 and 1980, the majority of Indian Banks were public sector Banks. Some of the existing private sector Banks, which showed signs of an eventual default, were merged with state-owned Banks. In July 1993, as part of the Banking reform process and as a measure to induce competition in the Banking sector, RBI permitted entry by the private sector into the Banking system. This resulted in the incorporation of nine new Private Sector Banks. These Banks are collectively known as the new Private Sector Banks. There are nine "new" Private Sector Banks operating at present. In addition, 21 private sector Banks existing prior to July 1993 were operating at year-end fiscal 2004.

### **Foreign Banks**

At the end of December 2004 there were around 32 foreign Banks with 218 branches operating in India, accounting for 4.65 per cent of aggregate deposits and 6.72 per cent of outstanding gross Bank credit of scheduled commercial Banks. The Gol permits foreign Banks to operate through (i) branches; (ii) a wholly owned subsidiary; or (iii) a subsidiary with aggregate foreign investment of up to 74 per cent in a private Bank. The primary activity of most foreign Banks in India has been in the corporate segment. However, some of the larger foreign Banks have made consumer financing a significant part of their portfolios. These Banks offer products such as automobile finance, home loans, credit cards and household consumer finance. The Gol in 2003 announced that wholly owned subsidiaries of foreign Banks would be permitted to incorporate wholly owned subsidiaries in India. Subsidiaries of foreign Banks will have to adhere to all Banking regulations, including priority sector lending norms, applicable to domestic Banks. In March 2004, the Ministry of Commerce and Industry, Gol announced that the foreign direct investment limit in private sector Banks has been raised to 74 per cent from the existing 49 per cent under the automatic route including investment by FIIs. The announcement also stated that the aggregate of foreign investment in a private Bank from all sources would be allowed up to a maximum of 74 per cent of the paid up capital of the Bank.

The RBI, in February 2005, issued a Policy on Ownership and Governance in Private Sector Banks, which set out certain broad principles underlying the framework relating to ownership of private sector Banks.

### **Cooperative Banks**

Cooperative Banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development Banks and the primary land development Banks provide long-term credit for agriculture. In light of the liquidity and insolvency problems experienced by some cooperative Banks in fiscal 2001, RBI undertook several interim measures to address the issues, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative Banks. RBI is currently responsible for the supervision and regulation of urban co-operative societies, the National Bank for Agriculture and Rural Development, state co-operative Banks and district central co-operative Banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 (which came into effect as of September 24, 2004), specifies that all co-operative Banks would be under the supervision and regulation of RBI.

### **Term Lending Institutions**

Term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include Industrial Development Bank of India (converted into a Banking company with effect from October 2004), IFCI Limited, Infrastructure Development Finance Company Limited and Industrial Investment Bank of India. The term lending institutions were expected to play a critical role in industrial growth in India and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of the term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities include:



- Fee-based activities like investment Banking and advisory services; and
- Short-term lending activity including corporate loans and working capital loans.

Pursuant to the recommendations of the Committee on Banking Sector Reforms (Narasimham Committee II), S.H. Khan Working Group, a working group created in 1999 to harmonize the role and operations of term lending institutions and Banks, RBI, in its midterm review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into Banks subject to compliance with the prudential norms as applicable to Banks in India. In April 2001, RBI issued guidelines on several operational and regulatory issues, which were required to be addressed in evolving the path for transition of a term lending institution into a universal Bank.

Industrial Development Bank of India was converted into a Banking company with the name of Industrial Development Bank of India Limited within the meaning of the Bank Regulation Act and the Companies Act with effect from October 2004. It is currently able to carry on banking operations in addition to the business being transacted by it as a term lending institution.

### **Non-Banking Finance Companies**

There are over 13,500 non-Banking finance companies in India as of October 2004, mostly in the private sector. All non-Banking finance companies are required to register with RBI in terms of The Reserve Bank of India (Amendment) Act, 1997. The non-Banking finance companies, on the basis of their principal activities are broadly classified into four categories namely Equipment Leasing (EL), Hire Purchase (HP), Loan and Investment Companies and deposits and business activities of Residuary Non-Banking Companies (RNBCs). The RBI has put in place a set of directions to regulate the activities of NBFCs under its jurisdiction. The directions are aimed at controlling the deposit acceptance activity of NBFCs. The NBFCs, which accept public deposits, are subject to strict supervision and capital adequacy requirements of RBI. Out of the NBFCs registered with RBI as of October 2004, 577 NBFCs accept public deposits.

### **Housing Finance Companies**

Housing finance companies form a distinct sub-group of the non-Bank finance companies and are regulated by National Housing Bank (NHB). As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of their business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including Banks have entered the housing finance industry.

The National Housing Bank and the Housing and Urban Development Corporation Limited are the two Government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for refinancing and securitisation of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. RBI has directed commercial Banks to lend at least 3.00 per cent of their incremental deposits in the form of housing loans. Further, RBI has reduced the risk weight for loans for residential properties to 50.00 per cent for the purpose of determining capital adequacy.

However, RBI increased this risk weightage for loans to residential properties to 75 per cent in December 2004. Housing loans up to certain limits prescribed by RBI as well as mortgage-backed securities qualify as priority sector lending under RBI's directed lending rules.

### **Other Financial Institutions**

Specialized Financial Institutions: In addition to the long-term lending institutions, there are various specialized financial institutions that cater to the specific needs of different sectors. They include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited and the Infrastructure Development Finance Corporation Limited.



State Level Financial Institutions: State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry.

At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large sized enterprises.

### **Insurance Companies**

Currently, there are 29 insurance companies in India, of which 14 are life insurance companies, 14 are general insurance companies and one is a reinsurance company. Of the 14 life insurance companies, 13 are in the private sector and one is in the public sector. Among the general insurance companies, nine are in the private sector and five are in the public sector. The reinsurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. In fiscal 2004, the total gross premiums underwritten of all general insurance companies were Rs. 16037 crore and the total new premiums of all life insurance companies were Rs. 19430 crore. As per provisional figures released by Insurance Regulatory and Development Authority (IRDA), in fiscal 2005, the total gross premiums underwritten by all general insurance companies were Rs. 18095 crore and the total new premiums of all life insurance companies were Rs. 25343 crore. Over the past few years, the market shares of private sector insurance companies have been increasing in both life and non-life insurance businesses. The market share of private sector life insurance companies in new business has increased from 1.35 per cent in fiscal 2002 to 5.66 per cent in fiscal 2003 and 12.56 per cent in the fiscal 2004. Provisional figures released by IRDA indicate a market share of 21.93 per cent during fiscal 2005 for private sector life insurance companies. The market share of private sector non-life insurance companies for business in India increased from 3.86 per cent in fiscal 2002 to 9.16 per cent in fiscal 2003 and 14.09 per cent during the fiscal 2004. Provisional figures released by IRDA indicate a market share of 19.65 per cent during fiscal 2005 for private sector non-life insurance companies for business in India.

### **Mutual Funds**

As of the end of March 2005, there were 29 mutual funds in India with total net assets of Rs. 149554 crore. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in India. It was set up in 1963 at the initiative of the Government and RBI. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by Public Sector Banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulations, 1996.

### **Liberalisation and the Reform Process**

Impact of Liberalisation on the Banking Sector :-

Until 1991, the financial sector in India was heavily controlled, and commercial Banks and term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Term lending institutions were focused on the achievement of the Indian Government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. These lending institutions provided access to long-term funds at subsidised rates through loans and equity from the Government of India and from funds guaranteed by the Government of India originating from commercial Banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial Banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial Banks provided a range of Banking services to individuals and businesses.



However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the Banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market, and entry of new private sector Banks, along with the broadening of Term Loan Lending Institutions' product portfolios, have progressively intensified the competition among Banks and term lending institutions. RBI has permitted the transformation of term lending institutions into Banks subject to compliance with the applicable law.

### **Banking Sector Reforms :-**

In the wake of the last decade of financial reforms, the Banking industry in India has undergone a significant transformation, which has covered almost all important facets of the industry. Most large Banks in India were nationalized by 1980 and thereafter were subject to a high degree of control until reform began in 1991.

In addition to controlling interest rates and entry into the Banking sector, the regulations also channelised lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low-interest-bearing government securities or statutory liquidity ratio bonds to fulfill statutory liquidity requirements. As a result, Banks' profitability was low, non-performing assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

### **Committee on the Financial System (Narasimham Committee I) :-**

The Committee on the Financial System (Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organisational issues, accounting practices and operating procedures, were implemented by the Government of India. The major recommendations that were implemented included the following :

- With fiscal stabilisation and the Government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio, or the proportion of the Banks' net demand and time liabilities that were required to be invested in government securities, was reduced from 38.5 per cent, in the pre-reform period, to 25.0 per cent in October 1997. This meant that the significance of the statutory liquidity ratio shifted from being a major instrument for financing the public sector in the pre-reform era to becoming a prudential requirement;
- Similarly, the cash reserve ratio or the proportion of the Bank's net demand and time liabilities that were required to be deposited with RBI, was reduced from 15.0 per cent, in the pre-reform period, to 5.0 per cent currently;
- Special tribunals were created to resolve bad debt problems;
- Most of the restrictions on interest rates for deposits were removed and commercial Banks were allowed to set their own level of interest rates for all kinds of deposits except savings Bank deposits; and
- Substantial capital infusion to several state-owned Banks was approved in order to bring their capital adequacy closer to internationally accepted standards. The stronger public sector Banks were given permission to issue equity to increase capital by accessing the Capital Market.

### **Committee on Banking Sector Reforms (Narasimham Committee II) :-**

The second Committee on Banking Sector Reforms (Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. RBI accepted and began implementing many of these recommendations in October 1998.

The successes of the reforms were aided to a large extent by the relative macroeconomic stability during the period. Another distinguishing feature of the reforms was the successful sequencing and gradual introduction of the reforms. Banks have implemented new prudential accounting norms for the classification of assets, income recognition and loan loss provisioning. Following the Bank for International Settlements (BIS) guidelines, capital adequacy norms have also been prescribed. To meet additional capital requirements, public sector Banks have been allowed to access the market for funds. Interest rates have been deregulated, while the rigour of directed lending has been progressively reduced.



A number of measures have been taken to reduce the level of non-performing assets, such as the establishment of DRTs, Lok Adalats and the system of one-time settlement of dues through mutual negotiation. A system of corporate debt restructuring, based on the “London Approach” has been put in place as a voluntary process of corporate restructuring. For information on corporate debt restructuring, please refer to the section titled “The Indian Banking Sector - Corporate Debt Restructuring” on page no.47 herein.

### **Proposed Structural Reforms**

Amendments to the Banking Regulation Act :-

The Finance Act, 2005, has proposed the introduction of a comprehensive bill to amend the Banking Regulation Act, 1949, to, inter alia, provide for the following :

- to remove the lower and upper bounds to the Statutory Liquidity Ratio and provide flexibility to RBI to prescribe prudential norms;
- to allow Banking companies to issue Preference Shares;
- to introduce specific provisions to enable the consolidated supervision of Banks and their subsidiaries by RBI in consonance with international best practices;
- to provide for set-off of losses to Banking companies in cases of amalgamation; and
- enhancement of credit-linking of self-help groups with the Banking system.

Amendments to the Reserve Bank of India Act :-

Further, the Finance Act, 2005 also provides for the introduction of the following amendments to the Reserve Bank of India Act, 1934 :

- to remove the limits of the CRR to facilitate greater flexibility in monetary policy; and
- to enable RBI to lend or borrow securities by way of repo, reverse repo or otherwise.

### **Legislative Framework for Recovery of Debts Due to Banks**

In fiscal 2003, the Parliament passed the SARFAESI Act (The Securitisation Act). The Act provides the powers of “seize and desist” to Banks. The Act provides that a “secured creditor” may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from Banks and financial institutions. The constitutionality of the Securitisation Act was challenged in *Mardia Chemicals Limited v. Union of India*, AIR 2004 SC 2371, a petition filed before the Supreme Court. The Supreme Court upheld the validity of the Act, except Section 17(2), wherein they found that the requirement of making a deposit of 75 per cent of the amount claimed at the time of making a petition or an appeal to the DRT under Section 17 in order to challenge the measures taken by the creditor in pursuance of Section 13(4) was unreasonable and therefore, struck down. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations. Earlier, following the recommendations of the Narasimham Committee I, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for the speedy resolution of litigation and the recovery of debts owed to Banks or financial institutions. The legislation creates tribunals before which the Banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. While presenting its budget for fiscal 2002, the Government of India announced measures for establishing more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. While the Parliament has repealed this Act, the notification to make the repeal effective has not yet been issued.

**Corporate Debt Restructuring (“CDR”)**

To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a Corporate Debt Restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board for Industrial and Financial Reconstruction, debt recovery tribunals and other legal proceedings. In particular, the framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and co-ordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Any lender having a minimum 20 per cent exposure in term loan or working capital may make a reference to the CDR Forum.

The system put in place by RBI contemplates a three tier structure with the CDR Standing Forum at the helm, which is the general body of all member institutions, out of which is carved out the core group, a niche body of select institutions that decides policy matters. Decisions on restructuring are taken by the CDR Empowered Group, which has all the member Banks/FIs as its members.

To assist the CDR Forum in secretarial matters and for analysis of the restructuring packages, a CDR Cell has been formed. The total membership of the CDR Forum, as on March 31, 2004 is 60, of which there were 14 FIs, 27 public sector Banks and 19 private sector Banks.

**Universal Banking Guidelines**

Universal Banking, in the Indian context, means the transformation of long-term lending institutions into Banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into Banks subject to compliance with the prudential norms as applicable to Banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal Bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal Bank over a specified time frame. In April 2001, the RBI issued guidelines on several operational and regulatory issues, which were required to be addressed in evolving the path for transition of a long-term lending institution into a Universal Bank.

**Annual Policy Statement**

The RBI has renamed its credit policy as the “Annual Policy” statement since it is directed at structural adjustments rather than controlling the credit flow in the economy. As per the Annual Policy statement for fiscal 2006, the rate of CRR of scheduled commercial Banks has been kept at 5.00 per cent of net demand and time liabilities. As part of its efforts to continue Bank reform, the RBI has announced a series of measures in its monetary and credit policy statements aimed at deregulating and strengthening the financial system.

In the Annual Policy for fiscal 2006, the RBI has stated that the overall stance of monetary policy for fiscal 2006 shall be as follows :

- provision of appropriate liquidity to meet credit growth and support investment and export demand in the economy while placing equal emphasis on price stability;
- consistent with the above, to pursue an interest rate environment that is conducive to macroeconomic and price stability, and maintaining the momentum of growth; and
- to consider measures to stabilize inflationary expectations in response to evolving circumstances.

In the Annual Policy for fiscal 2006, the RBI has introduced the following specific measures, among others :

- liquidity adjustment facility (“LAF”) scheme: The international usage of “repo” and “reverse repo” terms have been adopted from October 27, 2004. The LAF scheme is being operated with overnight fixed rate repo and reverse repo with effect from November 1, 2004. Accordingly, auctions of 7-day and 14-day repo (‘reverse repo’ in international terminology) stand discontinued from November 1, 2004;
- there is no change in the Bank rate, which remains at 6.00 per cent;
- the fixed reverse repo rate under the LAF scheme has been increased effective from April 29, 2005 from 4.75 per cent to 5.00 per cent. Accordingly the fixed repo rate under LAF will continue to remain at 6.00 per cent;
- the CRR level is unchanged at 5.00 per cent;
- no deregulation of interest rates relating to (i) savings deposit accounts; (ii) NRI deposits; (iii) interest rate ceilings on small loans up to Rs. 0.2 million; and (iv) interest rate regulation on export credit;
- the RBI will not be participating in the primary issuance of government securities with effect from April 1, 2006. The further sale of government securities allotted in primary issues with and between CSGL account holders shall also take place on the same day;



- the RBI shall issue guidelines on merger and amalgamation between private sector Banks and with NBFCs. The guidelines would cover the process of merger proposal, determination of swap ratios, disclosures, norms for buying/selling of shares by promoters before and during the process of merger and the board's involvement in the merger process. The principles underlying these guidelines would also be applicable as appropriate to public sector Banks, subject to relevant legislation;
- to raise the ceiling of overseas investment by Indian entities in overseas joint ventures and/or wholly owned subsidiaries from 100 per cent to 200 per cent of their net worth under the automatic route;
- to set up an independent Banking Codes and Standards Board of India based on the UK model in order to ensure that a comprehensive code of conduct for the fair treatment of customers is created and adhered to;
- structural and developmental measures for expanding the government securities market; and
- measures for simplifying the systems and procedures for offering better customer service and to continue with the liberalisation process for the improvement of the foreign exchange market.

### **Reforms of the Non-Banking Finance Companies**

The standards relating to income recognition, provisioning and capital adequacy were prescribed for non-Banking finance companies in June 1994. The registered non-Banking finance companies were required to achieve a minimum capital adequacy of 6.0 per cent by year-end fiscal 1995 and 8.0 per cent by year-end fiscal 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, RBI announced in July 1996 certain liberalization measures under which the non-Banking finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-Banking finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by Non-Banking finance companies has been revised uniformly upwards and since April 1999, 15.0 per cent of public deposits must be maintained. Efforts have also been made to integrate non-Banking finance companies into the mainstream financial sector.

### **New Initiatives in the Banking Sector**

#### **Risk Management and Basel II :-**

With gradual deregulation, Banks are now exposed to different types of risks. In view of the dynamic nature of the financial market, Banks face various market risks like interest rate risk, liquidity risk, and exchange risk. In respect of lending, they face credit risk, which includes default risk and portfolio risk. Banks also face risks like operational risk.

In preparation for the adoption of the Basel II accord, Banks have already been required by RBI to take active measures in terms of risk management systems, evaluate capital charges including for operational risk and bring about more transparency in financial reporting as part of market discipline. RBI has also moved towards adoption of Risk Based Supervision (RBS) of Banks under which the risk profile of Banks will decide their supervisory cycles - a Bank with higher risk rating will undergo more frequent supervisory reviews than those with lower risk rating. RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II. Implementation of market risk will be completed within two years from the year ended March 31, 2005 and the credit risk and operational risk with effect from 31 March 2007.

#### **RTGS Implementation in India :-**

With the commencement of operations of the Real Time Gross Settlement ("RTGS") system from March 26, 2004, India crossed a major milestone in the development of systemically important payment systems and complied with the core principles framed by the Bank for International Settlements. It was a 'soft' launch with four Banks, besides RBI, as participants. As on March 31, 2004, there are 71 direct participants in the RTGS system, including UWB. The salient features of the RTGS are as follows :

- payments are settled transaction by transaction for high value and retail payments;
- settlement of funds is final and irrevocable;
- settlement is done on a real time basis and the funds settled can be further used immediately;
- it is a fully secure system which uses digital signatures and public key infrastructure based inscription for safe and secure message transmission;





- there is a provision for intra-day collateralised liquidity support for member Banks to smoothen the temporary mismatch of fund flows; and
- RTGS provides for transfer of funds relating to inter Bank settlements as also for customer related fund transfers.

More than 75 per cent of the value of inter Bank transfers, which was earlier being settled through the deferred net settlement systems (“DNSS”) based inter-Bank clearing, is now being settled under RTGS.

### **Technology**

Technology is emerging as a key-driver of business in the Banking and financial services industry. Banks are developing alternative channels of delivery like ATMs, Tele-Banking, Remote Access and Internet Banking etc. Indian Banks have been making significant investments in technology. Besides computerization of front-office operations, the Banks have moved towards back-office centralization.

Banks are also implementing “Core Banking” or “Centralised Banking”, which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. RBI Annual Report for the year 2003-04 states that the use of ATMs has been growing rapidly and this has helped in optimising the investments made by Banks in infrastructure. Banks have joined together in small clusters to share their ATM networks during the year. There are five such ATM network clusters functioning in India. The total number of ATMs installed by the public sector Banks stood at 8,219 at March 31, 2004, compared with 5,963 ATMs at March 31, 2003.

The payment and settlement system is also being modernised. RBI is actively pursuing the objective of establishing a RTGS system, on par with other developed economies.

### **Corporate Governance**

Adoption of good corporate governance practices has been getting the attention of Banks as well as the regulators and owners in India. Banks in India now typically have an audit committee of the board of directors which is entrusted with the task of overseeing the organisation, operationalisation and quality control of the internal audit function, reviewing financial accounts and follow-up with the statutory and external auditors of the Bank as well as examinations by regulators. Disclosure levels in Bank balance sheets have been enhanced, while measures have also been initiated to strengthen corporate governance in Banks.

### **Consolidation**

Indian Banks are increasingly recognizing the importance of size. These efforts have received encouragement from the views publicly expressed by the Government favouring consolidation in the Indian Banking sector. Although there have been instances of mergers, these have usually involved financially distressed Banks. Mergers and acquisitions are seen by Banks as a means of achieving inorganic growth in size and attaining economies of scale and scope. Notwithstanding the government ownership of public sector Banks, the government has indicated that it would not stand in the way of mergers of public sector Banks, provided the Bank boards come up with a proposal of merger, based on synergies and potential for improved operational efficiency. The Government has also provided tax breaks aimed at promoting mergers and acquisitions (Section 72 (A) of the I.T. Act enables the acquiring entity (which could be a company, a corresponding new Bank, a Banking company or a specified Bank) the benefit of “carry forward and setoff of accumulated losses and unabsorbed depreciation” of the acquired entity, subject to specified conditions being fulfilled). Further, the Finance Act, 2005 has included a new Section 72AA to the I.T Act. Pursuant to this Section, during the amalgamation of a Banking company with any other Banking institution under a scheme sanctioned and brought into force by the Central Government under Section 45 (7) of the Banking Regulation Act, the accumulated loss and the unabsorbed depreciation of such Banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of such Banking institution for the previous year in which the scheme of amalgamation was brought into force and other provisions of the I.T Act relating to the set-off and carry forward of loss, and allowance, for depreciation shall apply accordingly. It is envisaged that the consolidation process in the public sector Bank group is imminent, particularly as Banks will be required to attain higher capital standards under Basel II and meet the pressures of competition by adoption of the extended universal Banking model.



### **Moving Ahead**

Bank deposits continue to remain an important instrument of financial saving. The share of Bank deposits in household savings has shown an increase from 30.8 per cent in fiscal 2000 to 40.5 per cent in fiscal 2004. The increased use of technology should help Banks to reduce transaction costs, and enhance cross-selling of Bank products.

It has been recognized that the agricultural sector has not been a major beneficiary of the decade long reform process and a skewed interest rate structure has emerged in case of agricultural loans vis-à-vis consumer loans, mainly as a result of fierce competitive pressures in the consumer finance segment. The Gol intends to address this underlying weakness, considering that 70 per cent of the population is in India's villages and the agro-economy needs more infrastructure investment. Accordingly, the Gol's policy is to double the level of agricultural credit in the next three years and the public sector Banks have geared themselves to pursue this objective.

This, however, is not expected to result in risk concentration as agricultural advances of public sector Banks constituted only 15.4 per cent of their net credit at March 31, 2004. Further, being of smaller quantum, agricultural advances help Banks to achieve risk-dispersal and it is generally seen that recovery rates are consistently higher. Moreover, Banks have been provided tax breaks for boosting agricultural advances Banks can claim income tax exemption on 10 per cent of their average rural advances and 7.5 per cent of net profit before provisions and tax. More recently, RBI has also modified the NPA norms for agricultural advances (linking delinquency to the crop cycle).



## BUSINESS

The United Western Bank Ltd., a technology savvy and value based Bank, commenced its business on March 8, 1937. As on September 30, 2005 the Bank has a network of 230 branches with 14 extension counters. The Bank provides various services like Anywhere Banking at its 170 branches situated at 85 centres. The Bank has positioned itself as a professionally managed Bank with presence in all major financial and growth centres, aimed at providing value added services to various segments of the market ranging from individuals, firms, corporates to financial institutions and Banks. The Bank has already taken up corporate agency of New India Assurance Co. Ltd. for distribution of general insurance products. Bank has also entered into agreement with M/s. Western Union Money Transfer for money transfer of customers from overseas location. The Bank is planning to bring more number of branches under centralised network and launch new products and delivery channels like debit cards, internet Banking, etc. The RTGS had already been commissioned for online fund transfer, which will be used for fund transfer for customers in days ahead. The Bank continues to build on its experience and reviews its business plans and policies on an on-going basis and decides its business focus accordingly. The Bank has variety of products to ensure that customer needs in various segments of the markets are fulfilled. The Bank also has a strong focus and thrust in Retail Banking covering both assets and deposits. The performance of the Bank over last 10 years is summarised in the following table (figures in Rs in crore, except if mentioned otherwise)

Year	Capital & Reserves	Deposits	Advances	Gross Earnings	Net Profit / Loss	Dividend Paid (%)	No. of Branches	No. of Employees
1994-95	33.19	1432	773	164	10.23	22	197	3378
1995-96	113.09	1623	891	227	14.06	23	200	3389
1996-97	126.78	2044	1076	289	21.58	24	203	3357
1997-98	152.09	2668	1370	335	33.53	25	207	3393
1998-99	180.90	3434	1679	389	37.11	25	213	3436
1999-00	226.68	4349	2358	541	55.70	30	218	3386
2000-01	207.69	5221	2748	519	(15.68)	10	225	3349
2001-02	228.96	4491	2658	645	25.76	15	228	3347
2002-03	255.00	5391	3145	622	27.50	15	231	3275
2003-04	280.90	6430	3744	596	30.96	5	230	3213
2004-05	221.69	6453	3976	552	(98.64)	-	230	3158

## OPERATIONS

In terms of overall size, the total assets of the Bank were Rs. 7083.65 crore as of March 31, 2005. The deposits of the Bank were Rs. 6452.88 crore and the advances were Rs. 3976.28 crore at the end of March 31, 2005. The net NPAs of the Bank decreased from 8.95 per cent as on March 31, 2004 to 5.83 per cent as on March 31, 2005. However, Capital Adequacy Ratio has declined from 10.13 per cent to 4.86 per cent during the same period due to the net loss incurred as a result of increased depreciation on investments, increased provisions for NPAs in view of RBI Guidelines for graded provisioning and the prudential write-off of Rs. 59.15 Crore

## BRANCH NETWORK OF THE BANK

The total number of branches as on September 30, 2005 stood at 230 spread over in 9 states. The Bank presently offers multi-branch facility at 170 branches/offices at 85 locations. With a view to offer specialised services and meet customer expectations, the Bank has opened specialised branches for forex, treasury, Para Banking, industrial and agriculture finance business. In addition, the Bank has five Zonal offices. Bank is Depository Participant of both NSDL and CDSL carrying out this business at Pune and Mumbai respectively.



S. No.	State-wise Distribution of Branches	No. of branches
1.	Andhra Pradesh	1
2.	Delhi	2
3.	Chhattisgarh	3
4.	Goa	3
5.	Gujarat	5
6.	Karnataka	4
7.	Madhya Pradesh	9
8.	Maharashtra	202
9.	Tamilnadu	1
	<b>Total</b>	<b>230</b>

S. No.	Area wise	No. of branches
1.	Rural	50
2.	Semi-Urban	61
3.	Urban	62
4.	Metro	57
	<b>Total</b>	<b>230</b>

### Personal Banking

The Bank offers a total value package; a one-stop shop for all Banking needs of customers. The Bank undertakes thorough research to decide needs of customers and provide the right solution in the form of product, with speed and efficiency, for their maximum benefit. Bank is committed to provide customized services designed to suit individual requirements of its customers like deposits, loans, general insurance, utility bill payments, etc.

#### **Anywhere Anytime Banking (AWANTI) :**

AWANTI i.e. Multi Branch Banking is a special facility that allows to operate Savings or Current account in any city through a Network of branches other than the branch where the account is held. At present, this facility is available at 170-networked branches across the country. Multi City Payable at par cheques, a unique technology driven service is available for savings, current and cash credit accounts holders where in cheques are payable at par in 85 centres across the country. Specially designed cheque book is made available to these account holders.

The Multi Branch Banking account has many features including Cash withdrawals at non -base branch (other than the branch where the account is maintained) up to a certain limit per day. The scheme also provides for fast collection of cheques and speedy transfer of funds. The Multi Branch Banking account gives flexibility and convenience to the customers throughout the country.

#### **AWANTI ATMs :**

The Bank has a network of 65 ATMs at strategic business centers. These ATMs are linked to the network of more than 5000 ATMs across the country through National Financial Switch under special tie-up arrangement with IDRBT, Hyderabad. Customers of the Bank can access their account from any of the ATMs of 11 leading Banks like ICICI Bank, Punjab National Bank, Corporation Bank, Andhra Bank, HDFC Bank, etc. who are the members of National Financial Switch.

The AWANTI ATM Card facilitates the card-holders to link 14 accounts to a single card. This gives a facility to use one card to access & withdraw from any accounts of United Western Bank's networked branches.



### **Foreign Remittances:**

The Bank has tied-up with Western Union Money Transfer for effecting foreign currency remittances.

### **Deposit Products**

Bank's basket of financial products include Fixed Deposits such as Dhanadhara, Dhanachakra and Dhanakhsaya, Yasho Dhana deposit, Student Plus deposit, Cumulative deposit, Gulmohor; Annuity scheme, Non Resident foreign currency (domestic) account, NRI services, Senior citizens deposit scheme, etc.

### **Loan Products**

The Bank's loan products suite include Dnyanavardhini scheme for education loans for higher education in India and/or abroad, Vastupurti scheme for home loans, Sobati Scheme for personal loans, various products for agricultural Term and Demand loans, etc.

### **Business Banking**

The Bank understands the dynamics of competition in today's fast changing world. Bank also understands the growth need of every business irrespective of the size. It offers a variety of tailor made Banking products to help customer business get the edge in this competitive environment.

The Bank provides **Working Capital Finance, Term Loans and Infrastructure Finance**, by providing these type of finances to start an industry, working capital, both fund based and non -fund based suited to all sectors of Industry. The Bank has set up Specialised SME Cells at strategic business centers to cater to the needs of small and medium enterprises. It has a specialized hi-tech agricultural branch at Kolhapur, which undertakes financing of hi-tech agri projects, besides the regular agriculture finance.

### **Insurance Services**

In conformity with our endeavour to become a financial supermarket and to provide total financial solutions to our customers, the Bank has diversified into the marketing of general insurance products of New India Assurance Co. Ltd. Bank has identified and trained its staff to market the insurance business.

### **Infrastructure Finance**

The Bank provides financing for all kinds of infrastructure projects, such as, Power Generation, Transmission & Distribution, Road constructions, Construction of Bridges on the Road / Railway Lines, Air/ Sea Port-development activities, Telecom, Water supply system, Urban Development etc.

### **International Banking and Forex Business**

The Bank has an International Banking Division at Mumbai to support International Trade business undertaken by its Branches. The branches are well equipped, with sophisticated infrastructure to efficiently handle transactions and are SWIFT enabled for speedy conduct and execution of transactions. The Bank has introduced " GOLD CARD SCHEME" for creditworthy exporters with sound track record for easy availability for export finance. The scheme enables following benefits :

- 1) Concession in rate of interest on Rupee Credit.
- 2) Standby limit of 20 per cent of sanctioned limit to meet urgent working capital needs.
- 3) Priority in meeting Packing Credit in Foreign Currency (PCFC) and concessional charges / fee structure including processing charges.

### **Working Capital Finance**

The Bank has a Policy to provide Fund based Credit facilities such as Cash Credit, Overdraft and Discounting and Purchasing of Bills, etc. to eligible borrowers. Non-Fund based credit facilities such as Letter of Credit, Bank Guarantees are covered under Working Capital Finance. Bank has laid down suitable policies for assessment and disbursement of Working Capital Finance. Bank has an exposure of about 55 per cent of Net Advances by way of Working Capital facilities as on 31-3-2005.



**Term Loans**

The Bank has a policy to provide Fund-based finance for Capital Expenditure / acquisition of fixed assets. The Bank also provides Non-fund based facility in the form of Letter of Credit/DPG for acquisition of fixed assets.

**DETAILS OF THE SOURCES OF FUNDS**

**Deposits**

The total deposits of the Bank grew from Rs. 5221.22 crore to Rs. 6452.88 crore. The deposits for following years are as under :

(Rs. in crore)

As on March 31	2001	2002	2003	2004	2005
Deposits	5221.22	4491.03	5391.09	6430.19	6452.88
Growth: Amount	872.22	-730.19	900.06	1039.10	22.69
Percent	20.05	-13.98	20.04	19.27	0.35
Cost of Deposits (%)	8.88	8.63	7.55	6.29	5.52

The cost of the deposits has been declining over past 5 years and has come down from 8.88 per cent on March 2001 to 5.52 per cent on March 2005.

The average cost of deposits is shown in the following table

**Average Cost of Deposit (%)**

Particulars	2001	2002	2003	2004	2005
Current Deposits	0.00	0.00	0.00	0.00	0.00
Savings Deposits	3.39	3.41	3.45	3.03	3.06
Term Deposits	10.90	10.48	9.31	7.89	7.02

The deposit mix of the Bank for the last five years is as follows :

(Rs. in crore)

Year ended March 31	2001	2002	2003	2004	2005
Current Deposits	605.31	458.36	493.32	851.18	892.36
Savings Bank Deposits	648.39	733.52	877.67	1068.30	1184.38
Term Deposits} Other types of Deposits}	3967.52	3299.15	4020.10	4510.72	4376.13
<b>Total</b>	<b>5221.22</b>	<b>4491.03</b>	<b>5391.09</b>	<b>6430.20</b>	<b>6452.87</b>

**Maturity Profile of Deposits :**

The maturity profile of deposits in the last 3 Years is as under :

(Rs. in crore)

Year ended March 31	2005		2004		2003	
	Rs. in crore	Percentage	Rs. in crore	Percentage	Rs. in crore	Percentage
Upto 1 year	2476.15	38.37	2863.71	44.54	3136.90	58.19
1 year to 3 years	3096.51	47.99	2761.84	42.95	1995.12	37.01
3 years to 5 years	527.70	8.18	488.91	7.60	165.29	3.07
Over 5 years	352.51	5.46	315.73	4.91	93.78	1.74
<b>Total</b>	<b>6452.87</b>	<b>100.00</b>	<b>6430.19</b>	<b>100.00</b>	<b>5391.09</b>	<b>100.00</b>



Category-wise break-up of Term Deposits

The category-wise break-up of term deposits as on March 31, 2005 is given below :

(Rs. in crore)

Maturity	Retail	Wholesale	Total
1 – 14 days	223	222	445
15 – 28 days	52	162	214
29 days to 3 months	234	380	614
3 – 6 months	246	284	530
6 – 12 months	497	333	830
1 – 3 years	618	210	828
3 – 5 years	122	60	182
Over 5 years	86	15	101
<b>Total</b>	<b>2076</b>	<b>1667</b>	<b>3743</b>

**Note :**

- 1) Wholesale Deposits are taken as individual Deposits of Rs.15 lacs and above
- 2) Inter Bank deposits are excluded.

**Borrowings**

**Top Borrowings of the Bank**

The borrowings of the Bank as on March 31, 2005 are given below :

Name	Outstanding Amount (Rs. in crore)	Interest Rate (%)	Duration for which the loan facility is available	Date of borrowing	Repayment Terms
SIDBI*	9.55	8.75% to 13.50%	---	---	---
NABARD*	23.96	5.50% to 7.75%	---	---	---
Syndicate Bank London	4.38	2.55%	6 months	18/10/2004	Repayment of principal and interest payment on 15/04/2005
<b>Total</b>	<b>37.89</b>				

\* Refinance

**Servicing Behaviour**

The Bank has not defaulted in the payment of interest and repayment of principal to other Banks, institutions, deposit holders etc. The Bank has not defaulted in meeting statutory dues, institutional dues and dues on fixed deposits and other arrears.

**DETAILS OF DEPLOYMENT OF FUNDS**

Advances

The advances of the Bank for the last four years are as under :

(Rs. in crore)

As on March 31	2002	2003	2004	2005
Advances (Net)	2657.67	3145.45	3744.47	3976.28
Annual Growth : Amount	(90.20)	487.78	599.02	231.81
Percent	(3.39)	18.35	19.04	6.19

The advances portfolio of the Bank grew by 6.19 per cent to Rs.3976.28 Crore in FY05 from Rs.3744.47 Crore in FY04. The table below sets forth approvals and disbursements by category of financing of the Bank in the last four years.



**Approvals**

The approvals of the Bank in respect of large credit during the year 2004-05 are Rs. 917.85 Crore.

**Sector -wise sanctions & disbursements for the year are as under**

(Rs. in crore)

Sector	2002	2003	2004	2005
Agriculture	221.08	284.47	399.47	417.46
SSI	429.96	319.25	373.75	437.06
Other Priority	464.45	606.15	660.05	892.41
Total Priority	1115.49	1209.87	1433.27	1746.93
Other sectors	1542.18	1935.58	2311.20	2229.35
Total Credit	2657.67	3145.45	3744.47	3976.28
Out of which Export Credit	212.00	214.00	191.00	191.86

**DEPLOYMENT OF GROSS BANK CREDIT**

The sector wise deployment of gross Bank credit as on March 31, 2005 is as follows :

(Rs. in crore)

Industry	Amount	Percentage to net Advances
Food Credit	NIL	NIL
Priority Sector	1746.93	43.93

**Sector-wise Advances**

The Bank follows a prudent exposure policy so as to minimize concentration risk. The industry concentration is also carefully watched and monitored on the basis of guidelines circulated through credit policy.

**As on March 31, 2005**

	(Rs. in crore)
Industry	Amount
Agriculture	417.46
SSI	437.06
Other Priority sector	892.41
Others	2229.35
Total credit	3976.28
Exports	191.86





**Industry-wise Outstanding**

The major Industry-wise outstanding as on March 31, 2005 is given below

(Rs in crore)

Industry	O/S Exposure	Percentage exposure to (total advances)
Infrastructure	364.05	9.74
Pharma	79.92	2.01
Banks and FIs	134.60	3.38
Trading	466.39	11.73
Hotels and restaurants	48.90	1.23
Diamonds (Gems and Jewelry)	82.53	2.08
Power Generation	50.36	1.27
Hospitals/Healthcare	20.97	0.52
Automobiles	108.56	2.73
Textiles	321.10	8.07
Printing and publishing	23.33	0.59
Service Industry	167.57	4.21
Food and Food products	197.81	4.97
Contractors	26.42	0.67
Paper	66.47	1.67
Rubber/leather based	26.71	0.68
Engineering	177.27	4.45
Information Technology	28.88	0.73
Sugar	195.48	4.92
Chemicals and Gases	101.05	2.54
Heavy Engineering	23.72	0.60
Plastics	36.63	0.92
Steel	84.65	2.13
Builder	56.02	1.40
NBFC	33.91	0.85
Share Brokers	3.63	0.09

Exposures to Top 10 companies

The exposure of the Bank to the top 10 companies is as under

(Rs. in crore)

Borrower	Industry	Exposure as on 31.03.2005	Quality of Assets
Borrower – 1	Cotton Textile	80.40	Standard
Borrower – 2	Cotton Textile	49.91	Doubtful III
Borrower – 3	Infrastructure	47.00	Standard
Borrower – 4	Infrastructure	45.47	Standard
Borrower – 5	Engineering	41.03	Standard
Borrower – 6	Vegetable Oils	37.40	Standard
Borrower – 7	Infrastructure	35.10	Standard
Borrower – 8	Sugar	35.00	Standard
Borrower – 9	Automobiles	33.21	Standard
Borrower – 10	Construction	33.00	Standard


**Exposure to Top 5 business groups**

The exposure of the Bank to the top five business groups as on March 31, 2005 is as under :

(Rs. in crore)

Borrower	Amount outstanding as on 31.03.2005		Percentage to total Advances
	Fund Based	Non Fund Based	
Group – 1	79.43	6.98	2.00
Group – 2	60.05	—	1.51
Group – 3	56.14	—	1.41
Group – 4	12.71	41.99	0.32
Group – 5	33.00	8.00	0.83

\*Percentage of total advance represents percentage of Fund based advance to total net advances. Non-fund based facility is not included in the calculation of percentage of total advance.

**EXPORT CREDIT**

The details of Export credit for the past 4 years is as under :

(Rs. in crore)

Year ended March 31	2002	2003	2004	2005
Amount	212	214	191	191.86
Percentage to net credit	7.98	6.80	5.10	4.82

**PRIORITY SECTOR LENDING**

In respect of Priority Sector lending the Bank has financed 43.93 per cent of the net Bank Credit towards financing priority sector as on March 31, 2005 as against the RBI stipulation of 40 per cent of net Bank Credit. The Bank has been endeavoring to increase the exposure to priority sector without diluting the quality of assets. Details of Sector-wise distribution of Priority Sector Lending for the last four years are given below :

(Rs. in crore)

Year ended on March 31	2002	2003	2004	2005
Agriculture	221.08	284.47	399.47	417.46
SSI	429.96	319.25	373.75	437.06
Other Priority	464.45	606.15	660.05	892.41
Total Priority	1115.49	1209.87	1433.27	1746.93
Net Advances	2657.67	3145.45	3744.47	3976.28
Percentage to Net Advances	41.97	38.46	38.27	43.93

**Investments**

The following table shows pattern of investments in the last three years :

(Rs. in crore)

As on March 31	2003	2004	2005
Gross Investments	1921.79	2423.90	2126.45
SLR Investments total	1429.85	1971.47	1650.78
- Permanent Investments/Held To Maturity	332.70	261.47	812.01
- Current Investments/Held for Trading and Available For Sale	1097.15	1710.00	838.77
Current Investments to total SLR Investments (%)	76.73%	86.74%	50.81%



The following table shows aggregate value of quoted and unquoted Non-SLR Investments :

(Rs. in crore)

As on March 31	2003	2004	2005
Quoted Non-SLR Investment	61.63	50.90	32.84
Un-quoted Non-SLR Investment	430.31	401.53	442.83
<b>Total</b>	<b>491.94</b>	<b>452.43</b>	<b>475.67</b>

The Bank has an Integrated Treasury Branch with state-of-the-art technology manned by experienced and professional dealers well supported by dependable information, communication and risk management systems. The Treasury department plays an active role in management of Banks' liabilities, mismatches in structural/interest rate sensitive asset/liability flows and to ensure reduction in cost of funds and enhance profitability. Apart from the main objective of adherence to statutory liquidity ratio (SLR) requirements, the Bank's investment department functions keeping in mind the following objectives.

1. Optimise returns and minimise risk in view of changing market conditions and future outlook;
2. To identify and diversify into new investment areas to improve profitability and spread the risk;
3. Adherence to all the provision /regulations stipulated by regulatory authority.

Treasury operations of Banks have undergone sea change over the last 3 years. The volumes and depth in the securities market have multiplied over the period largely due to the introduction of electronic trading platform (NDS system) and holding of securities in electronic form.

New products having varied features are introduced in the market rapidly giving more flexibility to the fund managers to deploy the funds. Risk management tools are being used to mitigate various risk arising out of treasury transaction.

Reserve Bank of India has already introduced Real Time Gross Settlement (RTGS) system during this year, which is expected to bring radical changes in payment systems giving scope for newer products and services.

#### **Comparative analysis of Interest bearing Assets and Liabilities**

A table showing average balances and interest rates of interest earning assets and interest bearing liabilities for the last three financial years is given below :

(Rs. in crore)

Year/Period ended on	31.03.2003		31.03.2004		31.03.2005		30.09.2005	
	Avg. Bal.	Avg. Interest Rate	Avg. Bal.	Avg. Interest Rate	Avg. Bal.	Avg. Interest Rate	Avg. Bal.	Avg. Interest Rate
Interest Earning Assets	4759	10.02	5416	8.55	6219	7.83	6311	7.70
Interest Bearing Liabilities	4650	7.70	5276	6.46	6021	5.65	6147	5.43

#### **CONTROL SYSTEM IN THE BANK**

The Bank has well defined Control Systems in all critical areas of operation i.e. Corporate Credit, Forex, Treasury, Retail Finance, which are documented and reviewed from time to time. The Bank also has a full fledged Internal Inspection & Audit machinery through which all branches are put under regular inspection encompassing the whole range of activities, i.e. Appraisal Policies & Procedures, Credit Management, Risk Management, FOREX, Customer Focus, Customer Complaints, Adherence to various rules and Regulations, Business Development and Control, Quality of Management, Use of Delegated Authority, Internal Housekeeping, Income Leakages etc. A Risk Based Internal Audit as per RBI guidelines is made applicable to all the branches. A policy of System Audit is documented and System Audit is being conducted accordingly. The policies related to advances, investments, foreign exchange are reviewed by the Board of Directors on a regular basis. The inspection and audit of branches are reviewed by the Audit Committee of the Board (ACB) on a regular basis and the compliance to audit reports are followed up closely.



**ASSET CLASSIFICATION, INCOME RECOGNITION & PROVISIONING**

Reserve Bank of India vide their circular No.BP.BC.129/21.04.043-92 dt.27.4.1992 have issued detailed instructions for Income Recognition, classification of assets and provisioning for Bad debts on prudential basis. RBI has also stated that the Bank's balance sheet should reflect Bank's actual financial health on the basis of Income Recognition, classification of assets and provisioning of Bad debts. For this purpose a proper system should exist. The committee on the financial system under the Chairmanship of Shri M. Narsimham has examined the above issue and recommended that :

1. A policy of Income Recognition should be objective and based on record of recovery rather than on subjective consideration.
2. The classification of assets should be done on the basis of objective criteria, which should ensure a uniform and consistent application of norms.
3. Regarding provisioning for Bad debts provision should be made on the basis of classification of assets into 4 different categories.

Under the existing prudential norms, loan assets are broadly classified into 2 categories namely performing and non-performing. Performing assets are those on which the Bank recover interest charges/installments of principal amount within a period of two quarters from the due date. The loan accounts in which irregularity regarding payment of principal or interest continues for a period beyond 90 days are classified as non-performing assets (NPAs).

The NPAs are further classified depending upon the period of delinquency and availability of tangible security as follows :

	Category	Definition
A.	Performing Standard Assets	An asset which is currently performing and in respect of which interest and principal payments are received regularly and where arrears of interest and principal, if any, do not exceed 90 days from the due date.
B.	Non Performing Assets	A non-performing asset (NPA) shall be a loan or an advance where interest and/or installment of principal remain overdue for a period of more than 90 days. Further Banks are required to classify non-performing assets into the following three categories based on the period for which the asset has remained non-performing and the realisable of dues.
i.	Substandard Assets	With effect from March 31, 2001, a substandard asset is one which has been a NPA for a period less than or equal to 18 months. However, w.e.f. March 31, 2005, a substandard asset is one which has been an NPA for a period less than or equal to 12 months.
ii.	Doubtful Assets	With effect from March 31, 2001, a doubtful asset is one, which has been a NPA for a period exceeding 18 months. However, w.e.f. March 31, 2005, a doubtful asset is one, which has remained substandard category for 12 months.
iii.	Loss Assets	A loss asset is one where loss has been identified either by the Bank or by the internal or external auditors or the RBI inspection but the amount has not been written off wholly.

Provisions are arrived on all outstanding advances as under

1. Substandard Assets :
  - a) Advances sanctioned as 'clean' – 20 per cent of the total outstanding without making allowance for DICGC/ECGC guarantee cover & security cover.
  - b) Advances other than sanctioned as 'clean' – 10 per cent of the total outstanding without making allowance for DICGC/ECGC guarantee cover & security cover.



2. Doubtful Assets:

	Category		Period	Percentage Provision
a)	Doubtful I	Secured portion	12 months (NPA up to 24 months)	20%
		Unsecured portion	12 months (NPA up to 24 months)	100%
b)	Doubtful II	Secured portion	24 months (NPA up to 48 months)	30%
		Unsecured portion	24 months (NPA up to 48 months)	100%
c)	Doubtful III	Secured portion	Above 48 months (NPAs included in Doubtful category for more than 3 years as on 31.03.2004)	60%
		Unsecured portion	Above 48 months (NPAs included in Doubtful category for more than 3 years as on 31.03.2004)	100%
		Secured portion	Above 48 months (NPAs included in Doubtful category for more than 3 years on or after 01.04.04)	100%
		Unsecured portion	Above 48 months (NPAs included in Doubtful category for more than 3 years on or after 01.04.04)	100%

3. Loss Assets – 100 per cent (of the outstanding balance)

In case of calculation of provision for Doubtful & Loss assets, following amount/s (if available) be deducted from the outstanding balance

- Amount received & earmarked separately, Deposits like FDRs as collateral & Subsidy amount in deposit or reserve fund.
- DICGC / ECGC claim received.

**Non-Performing Assets**

**Details of Non Performing Assets of the Bank are as under**

(Rs. in crore)

As on March 31	2003	2004	2005
Gross NPA at the beginning of the year	389.08	447.71	516.34
Additions during the year	155.13	183.30	82.48
Reduction during the year			
a. Upgradation	4.78	20.04	15.10
b. Cash Recovery	23.72	31.33	54.98
c. Compromise & Write-off	68.00	63.30	78.54#
Gross NPA at the end of the year	447.71	516.34	450.20
Provisions	144.35	176.36	212.66
Interest suspense	-	-	-
DICGC/ECGC Claim received	3.05	1.95	1.76
Collateral Liquid Security	1.37	2.70	3.69
Net NPA at the end of the year	298.94	335.33	232.09
Net Advances	3145.46	3747.99	3980.19
Percentage of Gross NPA to Gross Advances	13.58	13.14	10.72
Percentage of Net NPA to Net Advances	9.50	8.95	5.83

# Includes Prudential write-off of s. 59.15 crore



**Asset Classification**

The asset classification of performing & non-performing assets is shown below :

(Rs. in crore)

<b>As on March 31</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Standard	2490.10	2373.58	2848.86	3412.65	3748.10
Sub-standard	226.49	140.55	171.00	165.41	56.16
Doubtful	110.88	236.97	268.30	331.59	368.72
Loss	2.22	11.56	8.41	19.34	25.32
Gross NPAs	339.59	389.08	447.71	516.34	450.20
Gross Advances	2829.69	2762.66	3296.58	3928.99	4198.30
<b>Classification of assets % as on March</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Standard	88	85.92	86.42	86.86	89.28
Sub-standard	8	5.09	5.19	4.21	1.34
Doubtful	3.92	8.58	8.14	8.44	8.78
Loss	0.08	0.41	0.25	0.49	0.60
Gross NPAs	12	14.08	13.58	13.14	10.72
Gross Advances	100	100	100	100	100

Sector/Industry Analysis of Gross Non Performing Assets:

**A sector wise analysis of gross non-performing assets for the last 4 years is shown below :**

(Rs. in crore)

<b>Industry</b>	<b>2002</b>		<b>2003</b>		<b>2004</b>		<b>2005</b>	
	<b>Amt.</b>	<b>%</b>	<b>Amt.</b>	<b>%</b>	<b>Amt.</b>	<b>%</b>	<b>Amt.</b>	<b>%</b>
Small Scale Industries	38.85	9.98	51.64	11.53	71.68	13.88	69.34	15.40
Priority Sector:								
Agriculture	20.48	5.26	28.76	6.42	38.02	7.36	37.13	8.25
Other	33.06	8.50	46.06	10.29	71.10	13.77	111.02	24.66
Non Priority	296.69	76.26	321.26	71.76	335.54	64.99	232.71	51.69

**NPA Management strategy of the Bank**

The prime objective of the Bank's NPA Management policy is to bring about a qualitative improvement in the credit portfolio so as to improve yield on total advances and to reduce Gross and Net NPA to meet the Regulatory prescription and match peer group benchmark.

The strategies of the Bank for recovery in NPA are as under :

1. To arrest the trend of new additions in NPA by proper monitoring & follow up.
2. Efforts for upgradation of accounts, which turned NPA recently, or in last 6 to 12 months.
3. Thrust on compromise settlements.
4. Efforts for pending recovery in settled accounts.
5. Execution of decrees on hand and necessary follow up thereof.
6. Use of Securitisation Act to mop up maximum recovery.



7. Restructuring/rehabilitation of viable accounts.
8. Help of Govt. officials for recovery of schematic advances.
9. Appointing recovery agents for recovery in large cases.
10. Special efforts for recovery in Written-off accounts.
11. Recovery team/cell at branches/arranging recovery camps for continuous follow up for recovery in NPA and Written-off accounts.
12. Creation of recovery awareness at all levels through out the year.
13. Meeting of Zonal Officials and Branch Managers to discuss strategies/plans for account wise recovery and its immediate implementation.
14. Inviting borrowers above Rs.25 lacs for discussion at HO.

**Industry classification of Top 10 Non Performing Assets as on March 31, 2005**

S. No.	Industry	Amount (Rs. in Crore)	Percentage to the gross advance	Asset quality as on 31.03.05
1	Textiles	49.91	1.20	Doubtful -3
2	All Others	15.41	0.37	Doubtful -2
3	- Do -	13.49	0.32	Doubtful -2
4	Chemicals	11.72	0.28	Doubtful -3
5	All Others	9.65	0.23	Doubtful -1
6	Textiles	9.49	0.23	Doubtful -2
7	All Others	8.96	0.22	Doubtful -2
8	Pharmaceuticals	8.27	0.20	Doubtful -2
9	Textiles	6.73	0.16	Doubtful -1
10	All Others	6.59	0.16	Doubtful -3

The Bank has initiated action under SARFAESI Act, 2002 and the following table summarises the progress report of the same as on September 30, 2005:

S. No.	Particulars	No. of Accounts	(Rs. in crore)
1	Notices already served	1816	352.99
2	Period of 60 days over	1612	345.16
3	Possession taken	152	85.25
4	Possession taken through Govt. machinery	3	19.53
5	Possession taken during the month	5	0.41
6	Notices proposed to be served during the month	40	1.32
7	Notices served in reporting month	115	35.98
8	Recovery obtained	1118	35.13
9	Recovery obtained during reporting month	77	2.49
10	Accounts fully closed	231	20.98
11	Advocates fees paid	20	0.01
12	Other expenses made	35	0.02



**ASSET LIABILITY MANAGEMENT**

The ALM system was introduced in the Bank in the year 1999. The Asset Liability Management Policy has been put in place for the purpose of identifying, measuring, strategy formation and managing of Liquidity and Interest Rate Risks. The Asset Liability Management Committee (ALCO) functions as the top operational unit for managing the Balance Sheet within the risk parameters laid down by the Board. The Committee meets at regular interval to monitor and review risks and returns, raising and deploying resources, regulating Bank's interest rates on lending and deposits and directing the investment activities of the Bank.

**Maturity Pattern of Assets and Liabilities**

The maturity pattern of assets and liabilities as on March 31, 2005 is given below :

(Rs. in crore)

	1-14 Days	15-28 Days	29 Days-3 Months	Over 3 Months to 6 Months	Over 6 Months to 12 Months	Over 1 Year to 3 years	Over 3 Years to 5 Years	Over 5 Years	Total
Loans & Advances	1064	91	658	131	107	1352	194	377	3976
Investments	91	132	215	96	157	757	277	377	2102
Deposits	510	214	744	407	601	3097	528	352	6453
Borrowings	4	0	1	3	4	15	8	3	38
Foreign Currency Assets	6	2	15	22	17	0	0	0	62
Foreign Currency Liabilities	11	5	9	3	32	2	0	0	62

**Asset-Liability Mismatch**

The following table shows the asset-liability mismatch for the last three years

(Rs. in crore)

Year	1-14 days	15-28 days	29 days to 3 months	3 months to 6 months	6 months to one year	One year to 3 years	3 years and upto 5 years	5 years & above
2004-05	798.67	78.37	234.24	-144.39	-312.67	-967.12	-33.16	346.06
2003-04	741.98	383.65	-14.21	-189.56	-226.97	-929.04	-38.65	272.80
2002-03	-282.63	-466.55	189.23	177.56	550.67	487.59	-255.03	-400.84

The Bank has put in place a comprehensive Asset Liability Management policy. It has adopted the Traditional Gap Analysis method for measuring and managing the Market Risk specially the Liquidity Risk and Interest Rate Risk. The statements of Structural Liquidity and Interest Rate sensitivity are prepared on a fortnightly basis. The statement of Dynamic Liquidity is also prepared on a fortnightly basis. These reports are used to measure and manage the market risks and are within the permissible limits.

**Structural Liquidity**

The structural liquidity as on March 31 for the last three years is given below

(Rs. in crore)

Maturity	Total Inflows			Total Outflows			Mismatch		
	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005
1-14 days	1112.50	1727.99	1695.89	829.87	986.01	897.22	-282.63	741.98	798.67
15-28 days	601.20	561.36	296.75	134.65	177.71	218.38	-466.55	383.65	78.37
29 days-3 months	580.83	975.17	1010.53	770.06	989.38	776.28	189.23	-14.21	234.24
3-6 months	355.10	332.52	265.61	532.66	522.08	410.00	177.56	-189.56	-144.39
6-12 months	381.43	407.15	292.57	932.10	634.12	605.23	550.67	-226.97	-312.67
1-3 years	1610.07	1924.34	2248.80	2097.66	2853.38	3215.92	487.59	-929.04	-967.12
3-5 years	487.00	489.16	502.96	231.97	527.81	536.12	-255.03	-38.65	-33.16
Over 5 years	857.35	1042.38	1075.75	456.51	769.58	729.70	-400.84	272.80	346.06
Total	5134.45	7460.07	7388.85	5134.45	7460.07	7388.85	0.00	0.00	0.00





**Financial Ratios and other Financial Information**

The financial ratios and other financial information for the Bank for the last five years are given below :

(Rs. in crore except figures given in %)

Year/Period ended March 31	2001	2002	2003	2004	2005
Average Balances of Interest Earning Assets (Rs. in crore)	4060	4451	4759	5416	6219
Average Interest Rate (%)	11.65	9.71	10.02	8.55	7.83
Interest Income (Rs. in crore)	473	492	477	463	487
Average Balances of Interest Bearing Liabilities (Rs. in crore)	4030	4477	4650	5276	6205
Interest Rate (%)	9.00	8.73	7.70	6.46	5.48
Interest Expenses	363	391	358	341	340
Ratio of Average Interest Earning Assets to Average Interest Bearing Liabilities	1.00	0.99	1.02	1.03	1.00
Year/Period ended March 31	2001	2002	2003	2004	2005
Interest Income as a % to Average Working Funds	10.26	9.71	8.81	7.55	6.99
Interest Expenditure as a % to Average Working Funds	7.88	7.71	6.61	5.56	4.89
Net Interest Margin as a % to Average Working Funds	2.38	2.00	2.19	1.99	2.11
Return on average assets (%) (after tax)	0.07	0.51	0.51	0.50	-1.42
EPS	NIL	8.62	9.20	10.36	NIL

**Definitions :**

1. Net Interest Margin: Net Interest Income minus Net Interest Expenditure
2. Return on average assets (%) (after tax): Net Profit divided by Avg. Working funds

**CAPITAL ADEQUACY RATIO (CAR)**

With a view to adopting the Basle Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off -balance sheet business and also to strengthen the capital base of Banks, Reserve Bank of India decided in April 1992 to introduce a risk asset ratio system for Banks (including foreign Banks) in India as a capital adequacy measure.

While computing the CAR, the balance sheet assets, non-funded items and other off-balance sheet exposures are assigned weights according to the prescribed risk weights and Banks have to maintain unimpaired minimum capital funds equivalent to the prescribed ratio on the aggregate of the risk weighted assets and other exposures on an ongoing basis.

**Capital**

For the purpose of calculating CAR, capital of a Bank is divided into two classes, viz. Tier-I Capital and Tier-II Capital.

*Tier-I:* Tier-I Capital comprises of (i) Paid-up capital, Statutory Reserves, and other disclosed Free Reserves, if any. (ii) Capital Reserves representing surplus arising out of sale proceeds of assets.

*Tier-II:* Tier-II Capital comprises of undisclosed reserves and cumulative perpetual preference shares, Revaluation reserves, general provision and loss reserves, hybrid debt capital instruments, subordinated debt (with an initial maturity of at least five years). For the purpose of calculating the total capital for CRAR, the sum of Tier-I Capital and Tier-II Capital is taken into consideration, provided the Tier-II Capital should not exceed Tier-I Capital.

**Risk Weighted Assets**

Risk adjusted assets would mean weighted aggregate of funded and non-funded items. Degrees of credit risk expressed as percentage weightings, have been assigned to balance sheet assets and conversion factors to off-balance sheet items.



**Minimum requirement of Capital Funds**

As per the latest RBI Guidelines all Private Sector Banks are required to have minimum net worth of Rs. 300 crore on an on-going basis and Capital to Risk-weighted Assets Ratio (CRAR) shall be minimum 9 per cent.

**Capital Adequacy Position of the Bank**

The Bank's capital adequacy ratio was 4.86 per cent as on March 31, 2005 as against the stipulated norm of 9 per cent. Details of capital vis-à-vis risk weighted assets for the last three financial years are as under :

(Rs in crore)

Particulars	March 31, 2003	March 31, 2004	March 31, 2005	September 30, 2005
Tier I Capital	191.37	183.27	81.42	53.87
Tier II Capital	105.98	164.70	81.42	53.87
<b>Total Capital</b>	<b>297.35</b>	<b>347.97</b>	<b>162.84</b>	<b>107.74</b>
Total Risk Adjusted Assets	2992.40	3436.22	3346.78	3412.35
CAR (%)	10.17	10.13	4.86	3.15

**RISK MANAGEMENT SYSTEM**

The prime objective of the Risk Management Policy of the Bank is to optimise the profitability by managing risks and enhance the Shareholders' value. The risks that the Bank is exposed to are Credit, Market and Operational risks. Risk management deals with identifying, assessing and managing the principal risks. In the area of Risk Management, a comprehensive study has been undertaken for Corporate Risk Management and well-defined policies, procedures and practices are put in place.

The Bank has a risk management system that is centralized with a 3-track committee approach. An Integrated Risk Management Committee (IRMC) evaluates the overall risk faced by the Bank and directly reports to the Board of Directors. Credit Policy Committee (CPC) deals with credit policies and procedures and the Asset Liability Management Committee (ALCO) deals with Asset Liability Management (ALM) and investment policy of the Bank. The Operational Risk Management Committee (ORMC) formulates policies and procedures for managing operational risk.

The Bank has formulated a comprehensive lending policy by incorporating various parameters and prudential limits to manage and control default, transaction, intrinsic and concentration risk. The credit exposures are taken after subjecting the proposals to various risk factors such as financial risk, industry risk, management risk, etc. The Bank has developed an asset quality credit risk rating system, which helps to assess the borrowers credit risk and to price the loans on the risk of the borrower.

The Bank analyses the migration of borrowers in various risk rating categories to gauge the quality of the loan portfolio. In addition to the above, the Bank also conducts periodical review of the loan assets to ascertain conduct of the accounts. The Bank conducts periodical Credit Audit, Concurrent Audit, Stock Audit, Credit Inspection, etc., to limit the magnitude of credit risk. Risk focused Internal Audit has also been implemented.

The Bank has put in place comprehensive Asset Liability Management policy and Investment policy. It has adopted traditional gap analysis method for measuring and managing the market risk especially the liquidity risk and interest rate risk.

The Bank has already finalized its "Road Map to Basel-II" in line with the RBI guidelines in moving towards a more scientific Integrated Risk Management Approach and to align the capital of the Bank with its risk profile.

The portfolio mix is decided both in terms of returns and composition of the individual cases. Due diligence is done to cover the market, credit and operating risks. Lending norms are clearly laid out which translated into a credit grading and finally to acceptability of the proposal.



The Bank is cautious in building its loan portfolio and lays more emphasis on Risk Assessment. Besides complying with all general prudential norms laid down by RBI, the Bank has conservative internal prudential norms for lending.

The Board of Directors has delegated the powers of lending -both fund based and non -fund based limits to various functionaries and also to a Committee of Directors for speedy decisions.

### **Credit Risk Assessment Procedures**

The clients are targeted based on clear norms, which seek to filter the undesirables at the entry level. The credit exposures are taken after subjecting the proposals to various risk factors such as financial risk, industry risk, management risk etc. Periodical review of account is conducted to ascertain conduct of the accounts. The Bank is also active in financing of purchase of Two Wheelers, Four Wheelers and other Commercial vehicles.

The Bank offers a gamut of services to meet the entire credit requirements of the Corporates under one roof. These services include Fund Based and Non-fund Based credit facilities, Export Finance, Correspondent Banking & Trade Finance Services, A detailed Credit Policy encompassing all the products and services offered is in place with guidelines for Risk Management.

### **INFORMATION TECHNOLOGY**

The status of branch computerisation as of March 31, 2005 is as under:

Core Banking Solution	154 Branches and 11 Extension Counters
Stand alone branch computerization	17 Branches and 1 Extension Counter
Partial computerization (ALPM)	57 Branches and 1 Extension Counter
Specialized Branches	2 Branches (Asset Recovery & Overseas Branch)
Number of ATMs	63

The Disaster Recovery Site for Core Banking solution for 165 branches was tested partially in May 2004 and fully in August 2004.

The year was eventful for ATM expansion drive. During the year under report 29 ATMs were added, taking the tally to 65 ATMs. The card base is 89,000. The Bank joined shared ATM Network – National Financial Switch (NFS) floated by IDRBT-RBI, Hyderabad since January 26, 2005. NFS has total 11 member Banks and over 5000 ATMs across the country. The Banks customers can now use ATM cards at these 5000 ATM centres.

The Bank joined RTGS system of RBI during the year. The customers of the Bank would be able to take benefit of remittance through RTGS. A number of branches have been provided with the back office software of NSDL activity through the existing TC/4 network. A centralized solution for foreign exchange (FEX) trade finance was finalized during the year. Cash Management Solution was finalized and it is currently under testing. The new Inter Branch Reconciliation (IBR) software with interface to the core and other branch systems is implemented at Head Office. The Bank also arranged for the facility of inward remittances through the tie up for Western Union Money Transfer.

MIS and reporting has improved considerably. The business processes have been revamped and refined for better control and efficiency.

All the IS activities are subjected to continuous audit to ensure effectiveness of the business processes. IS policy was reviewed and updated. Monthly concurrent IS audit of the data center was conducted throughout the year. The audit of ATM activities was also carried out by external auditors. Many new control procedures were defined and implemented.

Training activity for TC/4 users including those for branch heads, internal inspectors continued throughout the year through 44 batches. In all 763 users underwent training on TC/4 during the year. (Total so far 1436) Over 1200 sessions were conducted with the help of in-house faculty.



During the current financial year, the Bank has plans to undertake following assignments :-

- Cheque Deposit Machines: It is successfully implemented at pilot branch.
- MIS Consolidation (TC/4, ALPM & OBMS)
- Implementation of Enterprise Management Software HP-Open View (Network Management, Asset Management & Helpdesk Management): Implementation is presently in progress. Network Management Module is already live.
- Disaster Recovery & Business Continuity Plan and Procedures: The policy is being drafted.
- VSAT Connectivity for Offsite ATMs: The connectivity is successfully established and being replicated at upcoming offsite ATMs.
- Staff training to employees of all TC/4 branches
- Expansion of ATM Network
- Centralised FOREX Software: The pilot branch is successfully implemented at Overseas Branch in stand-alone mode.
- Cash Management Software
- RTGS Services for Customers
- NEFT (National Electronic Fund Transfer): Project is in progress

The Bank is contemplating below mentioned IT driven projects ;

- Internet Banking
- SMS Mobile Banking
- Web based Administrative Functions
- Centralised Back Office (Account Statement, Cheque Book Issuance, Notices)
- Tie-up with other Payment Networks like VISA, Master & Petro-Cards etc.

### **BUSINESS STRATEGY**

The business strategy of the Bank has been designed keeping in view different aspects like historical performance, operation limitations, economic scenario, competition, future environment, industry perception and to ensure stability.

The following business strategies are contemplated to attain the expected level of business volume and to optimize profitability of the bank :

- To focus on the growth of demand deposits under deposit mix.
- To ensure uniform performance by all branches. To avoid dependence on select branches to attain the business goals.
- Introduction of several initiatives in addition to the existing products to provide value added services.
- Considering the thinning of spreads in lending to corporates and with a view to ensure prudent risk management measure the credit business strategy envisages thrust on retail lending with a special focus on SSI and SMEs.
- Our “Vastupurti Housing” loan scheme and the “Dnyanawardhini Educational” loan scheme are popular and will be focused in our marketing campaign.
- Quality credit growth for credit operations.
- Expansion of clientele base through focus on retail lending, targeting identified well managed medium sized corporate with sound financial for credit marketing, endeavoring positive credit growth at all branches.
- Prudential risk management practices in credit by timely identification, management and mitigation of various risks associated with credit portfolio shall receive greater attention.
- To improve the average yield on advances by increasing share of lending at relatively higher rate of interest to borrowers in retail / personal segment and to small & medium segment borrowers who are less sensitive to interest rate and will utilize the sanctioned limit to the maximum extent.
- Branches to first target the known delinquent accounts and ensure that these accounts are either recovered or upgraded during the financial year.
- Maintain and improve the asset quality.
- To broaden clientele base and to get maximum business from the existing customers through cross selling of products.



- Marketing of insurance products (non life) to augment the revenue.
- Explore new avenues for non-interest income to lessen the burden.

### COMPETITION POLICY

There is a paradigm shift in the Indian Banking System from the “Traditional Banking” in the pre-reform era, to the “Dynamic and Professional Banking” in the present era. It was mainly due to the process of economic liberalization and globalisation of financial services. This transformation has catalyzed the concept of competition in Indian Banking.

The reforms in the financial sectors brought in three main things impacting the concept of competition.

1. Entry of new players in the financial markets, deregulation of interest rates and creating new platform for investment alternatives.
2. Linkages between various segments of financial markets resulting in improved capital mobility and efficiency in funds management.
3. Framing new pragmatic rules and best practices attuning the Indian Financial markets and the Global Markets.

As a result of the above changes, the banking industry in India has been facing stiff competition particularly after the opening of the economy and liberalization that led to entry of new generation Private Sector Banks and Foreign Banks. The basic change the Bank feel now in competition is about it's pace and intensity.

The old Private Sector Banks in the country are exposed to the competition not only from the old Private Sector Banks but also from new-generation Private Sector Banks, Foreign Banks and Public Sector Banks apart from financial institutions and local Co-operative Banks.

The United Western Bank Ltd., with its regional foundation in Maharashtra State with 202 branches and National Presence through its 28 branches in other 8 states is continuously improving its competitive edge. The competition faced by the Bank for its products and services for resource mobilization and asset creation can be summarized as under.

- a. UWB faces competition from the peer banks in and out of Maharashtra.
- b. The Bank's competitors for its various products and services are scattered in different areas viz. in Metros like Mumbai and Delhi the competition is mainly with PSU and new-generation Private Sector Banks.

The competition policy of the Bank with the peer banks would be:

- a. Image related i.e. through-personalised services and enhancing corporate image. In order to overcome the competition with peer banks, the Bank has laid stress on personalized services and improved corporate image through publicity, advertisement etc.
- b. Another aspect of competitive policy is market related i.e. products (new and existing), customers (new and existing), distribution (new and existing) apart from competitive pricing and constant watch on the market over the peer banks to align our strategy on resource mobilization front.
- c. The HR related competitive policy with emphasis on training and skill development.
- d. Strengthening credit appraisal system, credit management including credit delivery and strengthening of control systems and procedures.
- e. Another aspect of competitive policy is technology related through efficient and effective customer service, cost reduction, management information system and decision support system.
- f. Another aspect of competitive policy is finance related through strengthening of balance sheet, product performance and risk management.

The competitive policy of the bank lays further emphasis on

- a. Introduction of new delivery channels like more branches under core banking, more number of ATMs, and other delivery channels.
- b. To introduce innovative products on par with the competitors to retain the existing clientele and to improve the business mix
- c. In tune with the changing priorities, the bank focus to achieve total customer satisfaction by immediate response to their genuine banking needs, thereby retain the existing clientele and also to prospective customers from the peer group in the field.
- d. Innovative products with simplified procedures.

The competition from the peer group is perceived as an opportunity to deliver the best out of the bank and to enhance the efficiency and effectiveness in functioning.



## **REGULATIONS AND POLICIES**

The main legislation governing commercial Banks in India is the Banking Regulation Act, 1949. The provisions of the BR Act are in addition to and not, save as expressly provided in the BR Act, in derogation of the Companies Act, 1956 and any other law for the time being in force. Other important laws include the Reserve Bank of India Act, 1934. Additionally, the RBI, from time to time, issues guidelines/directions to be followed by Banks in India.

### **RBI Regulations**

Commercial Banks in India are required under the BR Act to obtain a license from the RBI to carry on banking business in India. Before granting the license, the RBI must be satisfied that certain conditions are complied with, including (i) that the Bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the Bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the Bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such license is granted to the Bank. The RBI can cancel the license if the Bank fails to meet the above conditions or if the Bank ceases to carry on banking operations in India.

The Bank, being licensed as a Banking company, is regulated and supervised by the RBI. The RBI requires the Bank to furnish statements, information and certain details relating to its business. It has issued guidelines for commercial Banks on several matters including recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. The RBI has set up a Board for Financial Supervision, under the chairmanship of the Governor of the RBI. The appointment of the auditors of Banks is subject to the approval of the RBI. The RBI can direct a special audit of Banks in the interest of the depositors or in the public interest.

### **Regulations relating to the Opening of Branches**

As per the latest circular of RBI dated September 8, 2005, RBI has liberalized and rationalized the policy for authorisation of branches of Indian Bank in India. The new branch authorisation policy framework would have the elements enumerated in the following paragraphs.

As regards the public interest dimensions of the policy framework, the following aspects would be kept in view in processing the authorisation requests:

- (a) The RBI will, while considering applications for opening branches give weightage to the nature and scope of banking facilities provided by banks to common persons, particularly in underbanked areas, actual credit flow to the priority sector, pricing of products and overall efforts for promoting financial inclusion, including introduction of appropriate new products and the enhanced use of technology for delivery of banking services.
- (b) Such an assessment will include policy on minimum balance requirements and whether depositors have access to minimum banking or “no frills” banking services, commitment to the basic banking activity viz., acceptance of deposits and provision of credit and quality of customer service as, inter alia, evidenced by the number of complaints received and the redressal mechanism in place in the bank for the purpose.
- (c) The need to induce enhanced competition in the banking sector at various locations.
- (d) Regulatory comfort will also be relevant in this regard. This would encompass :
  - Compliance with not only the letter of the regulation but also whether the bank’s activities are in compliance with the spirit and underlying principles of the regulation.
  - The activities of the banking group and the nature of relationship of the bank with its’ subsidiaries, affiliates and associates.
  - Quality of corporate governance, proper risk management systems and internal control mechanisms.

As regards the procedural aspects, the existing system of granting authorisations for opening individual branches from time to time, would be replaced by a system of giving aggregated approvals, on an annual basis, through a consultative and interactive process. Banks’ branch expansion strategies and plans over the medium term would be discussed by the RBI with individual banks. The medium term framework and the specific proposals would, to



the extent possible, cover the opening/ closing/ shifting of all categories of branches/ offices including the ATMs. The authorisations given on an annual basis would be valid for one year from the date of communication.

Under the Banking licence granted to UWB by the RBI, the Bank is required to have at least 25 per cent of its branches located in rural and semi-urban areas. A rural area is defined as a center with a population of less than 10,000. A semi-urban area is defined as a center with a population of 10,000 or above but less than 100,000.

### **Directed Lending**

#### **Priority Sector Lending**

The RBI requires commercial Banks to lend a certain percentage of their net Bank credit to specific sectors (known as priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40 per cent of net Bank credit with agricultural advances required to be 18 per cent of net Bank credit and advances to weaker sections required to be 10 per cent of net Bank credit, and 1 per cent of the previous year's net Bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with government sponsored developmental Banks like the National Bank for Agriculture and the Rural Development and Small Industries Development Bank of India. These deposits can be for a period of one year or five years.

The RBI requires Banks to lend up to 3 per cent of their incremental deposits in the previous fiscal year towards housing finance. This can be in the form of home loans to individuals or subscription to the debentures and bonds of the National Housing Bank and housing development institutions recognised by the Government of India.

#### **Export Credit**

The RBI also requires commercial Banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12 per cent of a Bank's net Bank credit is required to be in the form of export credit. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies.

#### **Credit Exposure Limits**

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for Banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group).

#### **The limits set by the RBI are as follows :**

- Exposure ceiling for a single borrower is 15 per cent of capital funds effective March 31, 2002. Group exposure limit is 40 per cent of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5 per cent, i.e., up to 20 per cent of capital funds and the group exposure limit is extendable by another 10 per cent (i.e., up to 50 per cent of capital funds). Capital funds are the total capital as defined under capital adequacy standards (Tier I and Tier II capital).
- Non-fund based exposures are calculated at 100 per cent and in addition, Banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their positive market value (including potential future exposure) in determining individual or group borrower exposure ceilings, effective from April 1, 2003.

Credit exposure is the aggregate of :

- all types of funded and non-funded credit limits;
- investments in shares, debentures, bonds and units of mutual funds;
- facilities extended by way of equipment leasing, hire purchase finance and factoring services;
- advances against shares, debentures, bonds and units of mutual funds to stock brokers and market makers;
- Bank loan for financing promoters' contributions;



- bridge loans against equity flows/issues; and
- financing of initial public offerings.

To ensure that exposures are evenly distributed, the RBI requires Banks to fix internal limits of exposure to specific sectors. These limits are subject to periodic review by the Banks.

### **Regulations relating to Investments and Capital Market Exposure Limits**

There are no limits on the amount of investments by Banks in non-convertible debt instruments. However, credit exposure limits specified by the RBI in respect of lending to individual borrowers and borrower groups also apply in respect of these investments. Pursuant to the RBI guidelines, the exposure of Banks to capital markets by way of investments in shares, convertible debentures, units of equity-oriented mutual funds and loans to brokers, should not exceed 5 per cent of outstanding domestic advances (excluding inter-bank lending and advances outside India and including commercial paper) at March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity-oriented mutual funds should not exceed 20 per cent of the Bank's net worth.

In April 1999, the RBI, in its monetary and credit policy, stated that the investment by a Bank in subordinated debt instruments, representing Tier II capital, issued by other Banks and financial institutions should not exceed 10 per cent of the investing Bank's capital including Tier II capital and free reserves.

In December 2003, the RBI issued guidelines on investments by Banks in Non-Statutory Liquidity Ratio securities issued by companies, Banks, financial institutions, central and state government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, Banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. The Bank's investment in unlisted Non-Statutory Liquidity Ratio securities may not exceed 10 per cent of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year. These guidelines will not apply to investments in security receipts issued by securitisation or reconstruction companies registered with the RBI and asset backed securities and mortgage-backed securities with a minimum investment grade credit rating. These guidelines will be effective April 1, 2004, with provision for compliance in a phased manner by January 1, 2005.

### **Foreign Ownership Restrictions**

The Government of India regulates foreign ownership in private sector Banks. Under guidelines recently issued by the Government, total foreign ownership in a private sector Bank from all sources (FDI, FII, NRI) cannot exceed 74 per cent of the paid-up capital. The limit of 74 per cent will be reckoned by taking the direct and indirect holding. At all times, at least 26 per cent of the paid up capital of the private sector Bank will have to be held by residents. In addition, the restrictions on shareholding as provided under "Restrictions on Transfer of Shares" shall be equally applicable to Foreign Direct investment. Shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49 per cent of the paid-up capital. Individual NRI portfolio investment is restricted to 5 per cent with the aggregate limit for all NRIs restricted to 10 per cent but can be raised to 24 per cent with the approval of Board / General Body.

### **RBI Guidelines on Ownership and Governance in Private Sector Banks**

RBI vide its circular dated February 28, 2005 has laid down a comprehensive framework of policy in a transparent manner relating to ownership and governance in the Indian private sector Banks as described below:

The broad principles underlying the framework of policy relating to ownership and governance of private sector Banks would have to ensure that

- (i) The ultimate ownership and control of private sector Banks is well diversified. While diversified ownership minimises the risk of misuse or imprudent use of leveraged funds, it is no substitute for effective regulation. Further, the fit and proper criteria, on a continuing basis, have to be the overriding consideration in the path of ensuring adequate investments, appropriate restructuring and consolidation in the Banking sector. The pursuit of the goal of diversified ownership will take account of these basic objectives, in a systematic manner and the process will be spread over time as appropriate.





- (ii) Important Shareholders (i.e., shareholding of 5 per cent and above) are 'fit and proper', as laid down in the guidelines dated February 3, 2004 on acknowledgement for allotment and transfer of shares.
- (iii) The directors and the CEO who manage the affairs of the Bank are 'fit and proper' as indicated in circular dated June 25, 2004 and observe sound corporate governance principles.
- (iv) Private sector Banks have minimum capital/net worth for optimal operations and systemic stability.
- (v) The policy and the processes are transparent and fair.

**Minimum capital**

The capital requirement of existing private sector Banks should be on par with the entry capital requirement for new private sector Banks prescribed in RBI guidelines of January 3, 2001, which is initially Rs.200 crore, with a commitment to increase to Rs.300 crore within three years. In order to meet with this requirement, all Banks in private sector should have a net worth of Rs.300 crore at all times. The Banks which are yet to achieve the required level of net worth will have to submit a time-bound programme for capital augmentation to RBI. Where the net worth declines to a level below Rs.300 crore, it should be restored to Rs. 300 crore within a reasonable time.

**Shareholding**

- i. The RBI guidelines on acknowledgement for acquisition or transfer of shares issued on February 3, 2004 will be applicable for any acquisition of shares of 5 per cent and above of the paid up capital of the Private Sector Bank.
- ii. In the interest of diversified ownership of Banks, the objective will be to ensure that no single entity or group of related entities has shareholding or control, directly or indirectly, in any Bank in excess of 10 per cent of the paid up capital of the private sector Bank. Any higher level of acquisition will be with the prior approval of RBI and in accordance with the guidelines of February 3, 2004 for grant of acknowledgement for acquisition of shares.
- iii. Where ownership is that of a corporate entity, the objective will be to ensure that no single individual/entity has ownership and control in excess of 10 per cent of that entity. Where the ownership is that of a financial entity the objective will be to ensure that it is a well established regulated entity, widely held, publicly listed and enjoys good standing in the financial community.
- iv. Banks (including foreign Banks having branch presence in India)/FIs should not acquire any fresh stake in a Bank's equity shares, if by such acquisition, the investing Bank's/FI's holding exceeds 5 per cent of the investee Bank's equity capital as indicated in RBI circular dated July 6, 2004.
- v. As per existing policy, large industrial houses will be allowed to acquire, by way of strategic investment, shares not exceeding 10 per cent of the paid up capital of the Bank subject to RBI's prior approval. Furthermore, such a limitation will also be considered if appropriate, in regard to important shareholders with other commercial affiliations.
- vi. In case of restructuring of problem/weak Banks or in the interest of consolidation in the Banking sector, RBI may permit a higher level of shareholding, including by a Bank.

**Directors and Corporate Governance**

- i. The recommendations of the Ganguly Committee on corporate governance in Banks have highlighted the role envisaged for the Board of Directors. The Board of Directors should ensure that the responsibilities of directors are well defined and the Banks should arrange need-based training for the directors in this regard. While the respective entities should perform the roles envisaged for them, private sector Banks will be required to ensure that the directors on their Boards representing specific sectors as provided under the B.R. Act, are indeed representatives of those sectors in a demonstrable fashion, they fulfill the criteria under corporate governance norms provided by the Ganguly Committee and they also fulfill the criteria applicable for determining 'fit and proper' status of Important Shareholders (i.e., shareholding of 5 per cent and above) as laid down in RBI Circular dated June 25, 2004.
- ii. As a matter of desirable practice, not more than one member of a family or a close relative (as defined under Section 6 of the Companies Act, 1956) or an associate (partner, employee, director, etc.) should be on the Board of a Bank.
- iii. Guidelines have been provided in respect of 'Fit and Proper' criteria for directors of Banks by RBI circular dated June 25, 2004 in accordance with the recommendations of the Ganguly Committee on Corporate Governance. For this purpose a declaration and undertaking is required to be obtained from the proposed/existing directors.



- iv. Being a Director, the CEO should satisfy the requirements of the 'fit and proper' criteria applicable for directors. In addition, RBI may apply any additional requirements for the Chairman and CEO. The Banks will be required to provide all information that may be required while making an application to RBI for approval of appointment of Chairman/CEO.

### **Foreign investment in private sector Banks**

In terms of the Government of India press note of March 5, 2004, the aggregate foreign investment in private Banks from all sources (FDI, FII, NRI) cannot exceed 74 per cent. At all times, at least 26 per cent of the paid up capital of the private sector Banks will have to be held by resident Indians.

### **Foreign Direct Investment (FDI) (other than by foreign Banks or foreign Bank group)**

The policy already articulated in the February 3, 2004 guidelines for determining 'fit and proper' status of shareholding of 5 per cent and above will be equally applicable for FDI. Hence any FDI in private Banks where shareholding reaches and exceeds 5 per cent either individually or as a group will have to comply with the criteria indicated in the aforesaid guidelines and get RBI acknowledgement for transfer of shares.

To enable assessment of 'fit and proper' the information on ownership/beneficial ownership as well as other relevant aspects will be extensive.

### **Foreign Institutional Investors (FIIs)**

- i. Currently there is a limit of 10 per cent for individual FII investment with the aggregate limit for all FIIs restricted to 24 per cent, which can be raised to 49 per cent with the approval of Board/General Body. This dispensation will continue.
- ii. The present policy requires RBI's acknowledgement for acquisition/transfer of shares of 5 per cent and more of a private sector Bank by FIIs based upon the policy guidelines on acknowledgement of acquisition/transfer of shares issued on February 3, 2004. For this purpose RBI may seek certification from the concerned FII of all beneficial interest.

### **Non-Resident Indians (NRIs)**

Currently there is a limit of 5 per cent for individual NRI portfolio investment with the aggregate limit for all NRIs restricted to 10 per cent, which can be raised to 24 per cent with the approval of Board/General Body. Further, the policy guidelines of February 3, 2004 on acknowledgement for acquisition/transfer will be applied.

### **Due diligence process**

The process of due diligence in all cases of shareholders and directors as above, will involve reference to the relevant regulator, revenue authorities, investigation agencies and independent credit reference agencies as considered appropriate.

### **Transition arrangements**

- i. The current minimum capital requirements for entry of new Banks is Rs.200 crore to be increased to Rs. 300 crore within three years of commencement of business. A few private sector Banks, which have been in existence before these capital requirements were prescribed have less than Rs. 200 crore net worth. In the interest of having sufficient minimum size for financial stability, all the existing private Banks should also be able to fulfill the minimum net worth requirement of Rs. 300 crore required for a new entry. Hence any Bank with net worth below this level will be required to submit a time bound programme for capital augmentation to RBI for approval.
- ii. Where any existing shareholding of any individual entity/group of entities is 5 per cent and above, due diligence outlined in the February 3, 2004 guidelines will be undertaken to ensure fulfillment of 'fit and proper' criteria.
- iii. Where any existing shareholding by any individual entity/group of related entities is in excess of 10 per cent, the Bank will be required to indicate a time table for reduction of holding to the permissible level. While considering such cases, RBI will also take into account the terms and conditions of the Banking licences.
- iv. Any Bank having shareholding in excess of 5 per cent in any other Bank in India will be required to indicate a time bound plan for reduction in such investments to the permissible limit. The parent of any foreign Bank having presence in India, having shareholding directly or indirectly through any other entity in the Banking group in excess of 5 per cent in any other Bank in India will be similarly required to indicate a time bound plan for reduction of such holding to 5 per cent.



- v. Banks will be required to undertake due diligence before appointment of directors and Chairman/CEO on the basis of criteria that will be separately indicated and provide all the necessary certifications/information to RBI.
- vi. Banks having more than one member of a family, or close relatives or associates on the Board will be required to ensure compliance with these requirements at the time of considering any induction or renewal of terms of such directors.
- vii. Action plans submitted by private sector Banks outlining the milestones for compliance with the various requirements for ownership and governance will be examined by RBI for consideration and approval.

### **Continuous monitoring arrangements**

- i. Where RBI acknowledgement has already been obtained for transfer of shares of 5 per cent and above, it will be the Bank's responsibility to ensure continuing compliance of the 'fit and proper' criteria and provide an annual certificate to the RBI of having undertaken such continuing due diligence.
- ii. Similar continuing due diligence on compliance with the 'fit and proper' criteria for directors/CEO of the Bank will have to be undertaken by the Bank and certified to RBI annually.
- iii. RBI may, when considered necessary, undertake independent verification of 'fit and proper' test conducted by Banks through a process of due diligence as described in paragraph 8.

### **RBI Guidelines for Merger/Amalgamation of Private Sector Banks**

RBI has laid down guidelines for voluntary mergers involving banking companies on May 11, 2005 as described below :

1. The Reserve Bank has discretionary powers to approve the voluntary amalgamation of two Banking companies under the provisions of Section 44A of the Banking Regulation Act, 1949.
2. These powers do not extend to the voluntary amalgamation of a Banking company with a non-Banking company where amalgamations are governed by sections 391 to 394 of the Companies Act, 1956 in terms of which; the scheme of amalgamation has to be approved by the High Court.
3. However, in both situations, the Reserve Bank is concerned that while amalgamations are normally decided on business considerations such as the need for increasing the market shares, synergies in the operations of businesses, acquisition of a business unit or segment etc., it is essential that considerations like sound rationale for the amalgamation, the systemic benefits and the advantage accruing to the residual entity are evaluated in detail.
4. These guidelines cover two situations namely :-
  - (a) An amalgamation of two Banking companies
  - (b) An amalgamation of a non-Banking finance company (NBFC) with a Banking company.

### **SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (SEBI Takeover Code)**

Allotment in Rights Issue:

In exemption from Rights Issue, three types of cases have been considered as under:

1. to the extent of one's entitlement.
2. beyond one's entitlement but not exceeding the ceiling provided in Regulation 11 i.e., 5 per cent of the total Equity Capital of the Bank.
3. additional allotment without any ceiling to the person(s) presently in control of the Bank, provided disclosures have been made in the Rights Letter of Offer that they intend to acquire additional shares if the issue is under-subscribed.

Provided that this route shall not be available if the acquisition of additional shares results in the change of control of management.

In view of the aforesaid provisions the acquirer, in case of Rights Issue, will have to abide by the provisions of Regulation 11 of the Takeover Code.



## HISTORY

### BRIEF HISTORY AND MANAGEMENT OF THE BANK

The United Western Bank has its roots in Satara, a historically important city richly blessed by nature. Located at the foothills of the Sahyadri Mountains, the city has produced a number of eminent personalities. Among them was visionary named W. G. alias Annasaheb Chirmule, the grand old man of insurance, who first promoted the idea of converting Satara into a leading industrial, trading and commercial centre.

Inspired by the Swadeshi Movement, Annasaheb founded The Satara Swadeshi Commercial Bank Ltd. in 1907. This Bank catered mainly to the needs of small farmers and borrowers, with a view to pulling them out of the clutches of unscrupulous moneylenders. The Bank flourished and encouraged Annasaheb to establish another Bank in October 1936 – The United Western Bank Ltd. that incorporated on October 17, 1936 at Satara in Maharashtra State to cater to the Banking needs of the Western Maharashtra. The certificate to commence business was obtained on March 08, 1937.

Reserve Bank of India (hereinafter referred to as 'RBI') has issued Banking License (License No. BOM.26) under section 22(1) of the Banking Regulation Act, 1949, to The United Western Bank Ltd., to enable it to carry on Banking business in India. It must be distinctly understood, however, that in issuing the license, the RBI does not undertake any responsibility for the financial soundness of the Bank or for correctness of any of the statements made or opinion expressed in this connection.

In 1951, UWB was given recognition as a 'Scheduled' Bank. Smaller Banks such as The Union Bank of Kolhapur and The Satara Swadeshi Commercial Bank merged with UWB in 1956 and 1961 respectively. In 1969, UWB was elevated to the status of 'B' Class Bank and subsequently, to 'A' Class status in 1974.

UWB has a distinctive culture based on 'Apulki' – meaning 'affinity'.

The Bank has set its vision statement to be 'A technology savvy, customer centric progressive Bank with a national presence, driven by highest standards of corporate governance and guided by sound ethical values'. Towards achievement of this, the Bank is committed to the best practices in corporate governance to protect the interest of shareholders, depositors and customers.

#### Some of the significant milestones since 1995 :

1995-1996	<ul style="list-style-type: none"> <li>➤ Bank's Net Worth crossed Rs 100 crore mark.</li> <li>➤ Bank's 200<sup>th</sup> Branch opened at Vashi (Navi Mumbai)</li> <li>➤ Diamond Jubilee Year Celebration began on March 08, 1996.</li> <li>➤ Rights Share Issue in the ratio of 3:2 at premium of Rs 30/- per share successfully completed.</li> </ul>
1996-1997	<ul style="list-style-type: none"> <li>➤ Bank hosted Bank Economists' Conference at Mahabaleshwar.</li> <li>➤ Dr. C. Rangarajan, Governor, Reserve Bank of India, visited Bank's Head Office at Satara.</li> <li>➤ Specialised Agricultural Finance Branch opened at Kolhapur.</li> <li>➤ Bank joined NSDL as Depository Participant.</li> <li>➤ First ATM installed at Satara.</li> </ul>
1997-1998	<ul style="list-style-type: none"> <li>➤ Vastupurti Housing Loan Scheme launched.</li> <li>➤ Specialised Overseas Branch opened at Mumbai.</li> <li>➤ Bank joined IBA's Swadhan ATM Network at Mumbai.</li> </ul>



1998-1999	<ul style="list-style-type: none"> <li>➤ Bank's Business Mix surpassed Rs 5000/- crore milestone.</li> <li>➤ Bank's first Unsecured Subordinated Bond Issue of Rs 70/- crore successfully completed.</li> <li>➤ Corporate Business Cell established at Mumbai.</li> <li>➤ Introduction of Pension Scheme for employees of the Bank.</li> <li>➤ Bank's Mission Statement adopted.</li> </ul>
1999-2000	<ul style="list-style-type: none"> <li>➤ Bank's Networth crossed Rs 200/- crore.</li> <li>➤ Hassle free and smooth transition to year 2000 with proper Y2K compliance.</li> <li>➤ Bank signed an agreement with CMC Ltd for Centralised Core Banking Solution to enable it to offer "Anytime-Anywhere Banking".</li> </ul>
2000-2001	<ul style="list-style-type: none"> <li>➤ Bank instituted Professional Chair for Research in Banking &amp; Finance in Shivaji University, Kolhapur in the memory of its former Chairman Late Shri R N alias Banyabapu Godbole.</li> <li>➤ Apulki Kisan Credit Card launched.</li> <li>➤ Bank's Deposits crossed Rs 5000/- crore level.</li> </ul>
2001-2002	<ul style="list-style-type: none"> <li>➤ Bank joined CDSL as Depository Participant.</li> <li>➤ Bank launched Dnyanawardhini - Education Loan Scheme and Sobati – Personal Loan Scheme.</li> <li>➤ Bank's First Branch – Camp Pune migrated to Centralised Core Banking Solution.</li> </ul>
2002-2003	<ul style="list-style-type: none"> <li>➤ Integrated Treasury Branch opened at Mumbai.</li> <li>➤ 50 Branches linked to Core Banking Solution.</li> <li>➤ Bank became a Member of Clearing Corporation of India Ltd.</li> <li>➤ Bank's Subsidiary WITECO's newly built premises inaugurated.</li> </ul>
2003-2004	<ul style="list-style-type: none"> <li>➤ Bank crossed Rs 10,000/- crore Business mix.</li> <li>➤ Number of Bank's network Branches crossed 100 mark.</li> <li>➤ Multi-city Payable At Par Cheque Facility launched.</li> </ul>
2004-2005	<ul style="list-style-type: none"> <li>➤ Network Branches crossed 150 mark.</li> <li>➤ Number of ATMs crossed 50.</li> <li>➤ Bank joined National Financial Switch of IDRBT. Bank's ATMs linked to over 5000 ATMs across the country.</li> <li>➤ Bank's Deposits crossed Rs 6000 crore mark.</li> <li>➤ 100 per cent Branches provided with technological support.</li> <li>➤ Tie-up with Western Union Money Transfer for overseas remittances.</li> <li>➤ Disaster Recovery Site for Core Banking Solution operationalized and successfully tested in live conditions.</li> <li>➤ Marketing tie-up with New India Assurance Co. Ltd. for distribution of General Insurance Products.</li> <li>➤ The Bank became a part of RTGS (Real Time Gross Settlement) launched by RBI.</li> </ul>

**MAIN OBJECTS OF THE BANK**

3. The objects for which the Bank is established are :-

- a. To establish and carry on the business of a Bank whereof the Head Office or place of business shall be in Satara or at any place determined as aforesaid with such branches or agencies as may from time to time be determined by the Board of Directors.
- b. To carry on the business of Banking in all its branches and departments including the borrowing, raising or taking up money; the lending or advancing money, securities, and property, lending or advancing money on movable and immovable and mixed securities, on cash credit or other accounts, on policies, bonds, Debentures, bills of exchange, Hundis, promissory notes, letter of credits or other obligations, on the deposit of title deeds, goods, wares and merchandise, Bills of Lading, delivery orders, railway receipts or other mercantile indicia, bullion, stocks or shares, the drawing, accepting, endorsing, discounting, buying, selling and dealing in bills of exchange, Hundis, Poorjas, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments and securities whether transferable or negotiable or not; the granting or issuing letters of credit and circular notes; the buying, selling, and dealing in bullion and specie; the acquiring, holding, issuing on commission, underwriting and dealing in stocks, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the negotiating and underwriting of loans and advances; the receiving money and valuables on deposit or for safe custody or on pledge or otherwise, the receiving as security for already existing debts, the lending of money upon property, the deposits of title deeds, the collecting and transmitting of money and securities, the managing of property and the transacting of all kinds of agency business, 60 commonly transacted by Bankers; the engaging in and entering into operations in Foreign Exchange, and the making advances and lending and opening cash credits on the security of debentures, stock or shares of or in any corporation or joint stock company.
- c. To establish and carry on the business (amongst others) of a Savings Bank.
- d. To acquire and hold shares, stocks, debentures, debenture stocks, bonds, obligations, and securities issued or guaranteed by any Company constituted or carrying on business in India or elsewhere and debentures, debenture stocks, Bonds, obligations, and securities, issued or guaranteed by any Government, public body or authority supreme, municipal, local, or otherwise, whether in India or elsewhere.
- e. To acquire any such shares, stocks, debentures, debenture stocks, Bonds, obligations, or securities by original subscription, tender, purchase exchange or otherwise and to subscribe for the same either conditionally or otherwise and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to ownership thereof.
- f. To act as Agents for Governments or authorities or for any Bankers, manufactures, merchants, shippers, and others and to carry on agency, business of any description including power to act as attorneys and to give discharges and receipts.
- ff. To, open, establish, maintain and operate Currency Chest and Small Coin Depots on such terms and conditions as may be required by the Reserve Bank of India established under the Reserve Bank of India Act, 1934 and enter into an agreement for all administrative or other arrangements for undertaking such functions with the Reserve Bank of India. \*
- g. To contract for public or private loans and to negotiate and issue the same.
- h. To promote, effect, insure, guarantee, underwrite, participate in managing and carrying out any issue, public or private, of state, Municipal or other loans or of shares, stock, Debentures or Debenture Stock of any Company, corporation or association and to lend money for the purposes of any such issue.
- i. To carry on and transact every kind of guarantee and indemnity business and to undertake obligations of every kind and description. And also to undertake and execute any trusts the undertaking whereof may seem desirable, and either gratuitously or otherwise and also to undertake the office of executor, administrator, receiver, treasurer, registrar or auditor and to keep for any Company, government authority or body, any register relating to any stocks, funds, shares or securities, or to undertake any duties in relation to the registration of transfers, the issue of certificates or otherwise.
- j. To acquire and undertake the whole or any part of the Banking and Discount business of any person or Company carrying on any business, which the Bank is authorised to carry on or to amalgamate the Bank's business with that of any such person or company.



- k. Generally to purchase, take on lease, or in exchange, hire or otherwise acquire any immovable or movable property and any rights or privileges which the Bank may think necessary or convenient with reference to any of the objects for which the Bank is established or the acquisition of which may seem calculated to facilitate the realization of any securities held by the Bank or to insure any advantage or to prevent or diminish any apprehended loss or liability.
- l. To take or otherwise acquire and hold shares in any other Company having objects altogether or in part similar to those of this Bank or carrying on any business capable of being conducted so as directly or indirectly to benefit this Bank.
- m. To enter into any arrangements with any authorities supreme, Municipal, local or otherwise, that may seem conducive to the Bank's objects or any of them and to obtain from any such authority any rights, privileges and concessions which the Bank may think it desirable to obtain and carry out, exercise and comply with any such arrangements, rights, privileges and concessions.
- n. To take or concur in taking all such steps and proceeding as may seem best calculated to uphold and support the credit of the Bank and to obtain and justify public confidence and to avert or minimize financial disturbances, which might affect the Bank.
- o. To establish and support or aid in the establishment and support of associations, funds, trusts and conveniences calculated to benefit employees or ex-employees of the Bank or the dependents or connections of such persons and to grant pensions and allowances and to make payments towards insurance and to subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.
- p. To construct, maintain and alter any buildings or works necessary or convenient for the purposes of the Bank.
- q. To remunerate any person or Company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing or any of the shares in the Bank's capital or any debentures, debentures stock or other securities of the Bank or in or about the formation or promotion of the Bank or the conduct of its business.
- r. To sell or dispose of the entire undertaking of the Bank but not part of it only for such consideration as the Bank may think fit and in particular for shares, debentures or securities of any other company having objects altogether or in part similar to those of this Bank.
- s. To sell, improve, manage, develop, exchange, lease, mortgage, dispose of, turn to account or otherwise deal with all or any part of the property and rights of the Bank, and to sell & realize the proceeds of sale of any property, movable, or immovable, against which the Bank may have made advances or over which the Bank may have any power of disposal.
- t. To do all or any of the above things in any part of the world & as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.
- u. To engage in doing any other form of business which the union government may by notification in the official gazette specify as a form of business in which it is lawful for a Banking company to engage. \*
- v. To do all such other things as are incidental or conducive to the attainment of the above objects.

\* Inserted vide Special Resolution passed through Postal Ballot dated March 10, 2004.

And it is hereby declared that the word "Bank" in this clause should be deemed to include any partnership or other body of persons whether incorporated or not incorporated, whether domiciled in British India or elsewhere and the intention is that objects specified in each paragraph of this clause shall be nowise limited or restricted by a reference to or inference from the terms of any other paragraph or the name of the Bank and that in the event of any ambiguity the paragraph or paragraphs shall be considered in such a way as to widen and not to restrict the powers of the Bank.

## **SUBSIDIARIES OF THE BANK AND BUSINESS DETAILS**

The Bank has only one subsidiary namely, The Western India Trustee & Executor Co. Ltd. For more details on the subsidiary and its business please refer to page no. 105 of this Letter of Offer.

## **SHAREHOLDERS AGREEMENTS**

A Memorandum of Understanding (MOU) was executed on 19<sup>th</sup> November 2002 between Shri Shivprakash Makharia, representing Makharia Family, Shri P. S. Kulkarni & Shri P. V. Tembre, representing employee

## THE UNITED WESTERN BANK LIMITED



shareholders of United Western Bank Ltd, Shri Jayant Kawale representing SICOM Ltd. and Shri G. A. Lele for and behalf of Directors representing small shareholders of United Western Bank Ltd., whereby the parties had recorded the understanding with regard to the composition of the Board of Directors. In terms of the said MOU, two directors would be nominated by each SICOM Ltd., Makharia Family and the Employee shareholders and three by small shareholders. The remaining one Director would be suggested by SICOM Ltd. and finalised with the consensus of all parties. Likewise if twelfth director were to be appointed the person would be selected by the parties mutually. The parties had agreed to exercise their voting power to implement this understanding.

The parties also agreed to remove the provision relating to "Chairman's Casting Vote" for the Board meeting from the Articles of Association. In pursuance of the MOU, the parties signed a detailed agreement on December 6<sup>th</sup>, 2002 whereby, in addition to the terms as mentioned above, the parties also recorded the pre-emption rights in favour of each other in case any of them desires to sell their shareholding in the Bank. Pursuant to the MOU and the agreement, the Articles of the Bank have been amended and accordingly the Chairman has no Casting Vote at the meeting of the Board.

The Bank is not a party to the above agreement and thereby any provisions of the said agreement are not binding on the Bank.

### OTHER AGREEMENTS

In the EOGM held on August 7, 2000, a group of shareholders opposed the proposal for issue of Rights Shares, which was withdrawn by the Chairman of the meeting before the same was proposed. Aggrieved by this, this group of shareholders filed a Petition with Company Law Board, Principal Bench New Delhi under Section 397/398 of the Companies Act, 1956 and restrained the Bank from implementing any resolution for issue of shares. Thereafter the Bank and the group of shareholders were engaged in various litigations in various courts of law and Company Law Board. With an intention to put an end to the litigation, parties mutually arrived to settle the disputes by signing Memorandum of Understanding (MoU) dated 26-11-2002.

As per the MoU dated November 26, 2002, it was agreed to settle the disputes and recorded in writing the terms and conditions on the basis of which the MoU will be implemented.

a) Some of the items of MoU as mentioned below stands implemented :-

- i) Two nominees of Makharias have been inducted on the Board of the Bank.
- ii) The settlement with Maliram Makharia Stock Brokers Pvt. Ltd was given effect under consent terms dated July 11, 2003 filed before DRT, Mumbai.

b) Following items of the MoU are yet to be implemented :

- i) The settlement with Emtex Industries (I) Ltd. has not been implemented yet and the Company has made reference to BIFR.
- ii) The Powers of Attorney for giving voting rights proposed to be granted in pursuance of MoU have not so far been executed.

c) The dues of Makharias proposed to be settled/settled in pursuance of MoU dated November 26, 2002 are as under:

(Rs. in crore)

Name	Facility	Limit	Balance o/s as on 31.12.2005	Asset classification
Emtex Industries (I) Ltd.	1) C C	27.50	49.91 + Unapplied Interest	Doubtful
	2) BG (SBLC)	USD 4 million		
Maliram Makharia Stockbrokers Pvt. Ltd.	1) C C	5.85	5.75 + Unapplied Interest	Loss

The Copy of the MoU is included in the list of Material Contracts and Agreements of this Letter of Offer.





MANAGEMENT

BOARD OF DIRECTORS

The details of the Board of Directors of the Bank are given in the following table (as on January 23, 2005)

S. No.	Name of the Director Sarvashri	Age (Yrs)	Designation & Address	Qualifications Experience Other Directorship
1.	Satish Kashinath Marathe (UIN – A00390302)	55	Chairman & CEO “Apulki” Sadar Bazar, Near Land Devp. Bank, Satara – 415 001	B. Com., LL.B. (General), Diploma in Journalism
2.	Govind Anand Lele (UIN – A00390310)	51	Director, Opp. Circuit House, Sadar Bazar, Satara – 415 001	B. Sc. 1) Speciality Urethanes Pvt. Ltd. 2) Nand Composites Pvt. Ltd. 3) Maitreya Polymers & Speciality Chemicals Pvt. Ltd.
3.	Mahesh Anant Athavale (UIN – A00390330)	44	Director, 117/121/2, ‘Nandnandna’, Near kamala Nehru Park, Prabhat Road, Lane No. 12, Pune – 411 004	M. Com., LLB, FCS 1) Kanj Corporate Consultants Pvt. Ltd. 2) Poona Shims Pvt. Ltd. 3) PSE Securities Pvt. Ltd.
4.	Ashok Baliram Telang (UIN – A00365734)	63	Director A/18, Shatdal CHS Ltd., Azad Lane, Off S.V. Road, Andheri (West), Mumbai – 400 058	M. Sc., CAIIB 1) Rain Industries Ltd. –IDBI Nominee 2) Bengal Lamps Ltd.-BIFR Nominee 3) Tensile Steel Ltd.-BIFR Nominee 4) NTC (SM) Ltd.-BIFR Nominee 5) Navsari Cotton & Silk Mills Ltd.–BIFR Nominee
5.	Kanhaiyalal Hiralal Navandhar (UIN – A00390336)	55	Director, 45, Sadashiv Peth, Satara-415 002	B. E. (Mech.)
6.	Sharad Pandurang Upasani (UIN – A00366542)	67	Director, 412, Shalaka Hsg. Society, Maharshi Karve Road, Mumbai – 400 021	M. Com., LL.B., MBA 1) M. Visvesvaraya Industrial Research & Development Centre-Management Council Member
7.	Prakash Baburao Nimbalkar (UIN – A00382663)	62	Director, B/221, Vikasini Co-op. Hsg. Society Ltd., Plot No. 1-C, Sector-8B, CBD, Belapur, Navi Mumbai – 400 614	B. Com., LL.B., CAIIB 1) SICOM Ltd. 2) Seclore Technology Pvt. Ltd.
8.	Umesh Moreshwar Kulkarni (UIN – A02243335)	40	Director, B1/21, “Sarita Vaibhav” S. No. 119/2, Parvati, Sinhagad Road, Pune – 411 030	M. Com., FCA
9.	Rajaram Govind Tanksale Director	55	Director, “Chitragupta”, 476/16, Sadar Bazar, Near Land Development Bank, Satara – 415 001	B. Com. FCA, ISA
10.	Jatinder Singh Sahni Director	53	Director SICOM LTD Nirmal Bldg, 1 <sup>st</sup> floor, Nariman Point, Mumbai –400 021	M.A. (History), IAS.

**RBI OBSERVER**

Shri. Amarnath, General Manager, Reserve Bank of India, Central Office, Byculla, Mumbai has been deputed as an Observer to watch the proceedings at the meetings of the Board of Directors of the Bank and the Audit Committee of the Board. Shri Amarnath has been given the status of a 'Permanent Invitee' to these meetings.

**DETAILS OF BORROWING POWERS OF THE BOARD OF DIRECTORS**

The borrowing powers of directors are governed by the Articles of Association of the Bank given as under :

- (53) Power to Borrow: The Directors may, from time to time, at their discretion, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Bank.
- (54) Conditions on which money may be borrowed: The Directors may raise or secure the payment of repayment of such sum of sums in such manner and upon such terms and conditions in all respect as they think fit.
- (55) Securities may be assignable free from equities: Debentures, debenture stock, and other securities may be made assignable free from any equities between the Bank and the person to whom the same may be issued.
- (56) Issue at discount &/or with special privilege: Any Debentures, Debenture Stock, Bonds, or other securities may be issued at a discount, premium or otherwise, and may be issued on condition that they shall be convertible into shares of any denomination, and with any special privileges as to redemption, surrender, drawings, allotment of shares attending and voting at General Meetings of the Bank, appointment of Directors and otherwise. Debentures/Bonds, Debenture Stock/Bonds or other securities with the right to conversion into or allotments of shares shall be issued only with the consent of the Bank in General Meeting.

**TERMS OF APPOINTMENT OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

In exercise of the powers conferred by section 35B of the Banking Regulation Act, 1949, the Board of Directors of the Bank, after approval of the Reserve Bank of India, has appointed Shri. Satish Marathe as Chairman and Chief Executive Officer of the Bank upto 31-12-2006 vide Resolution no. 71 dated 19-12-2003. His compensation details are as follows :

1. Pay & Allowances: - Rs.60, 000/- per month (Rs. 60,000 - Rs. 10,000 - Rs. 10,000 - Rs. 80,000 Yearly increment of Rs. 10,000/-). Entire amount is eligible for P.F. deduction. The requirement of minimum service for the payment of Employer's contribution to Provident Fund at the time of cessation of term of office / resignation will not be applicable to the Chairman & CEO.
2. Residential Accommodation: - Free furnished residential accommodation at Satara only.
3. Telephone: - Free use of telephone at the residence.
4. Conveyance: -
  - a. Official Purpose –  
Free use of Bank's car for official purposes, as per provisions of Income Tax Act, 1961 and rules made thereunder.
  - b. Private Purpose –  
If used for private purposes, recovery of Rs.250 p.m. for journey not exceeding 750 kms per month and 60 per cent of the rate fixed by RTO for journey exceeding 750 kms per month.
5. Entertainment Allowance: - Reimbursement of actual entertainment expenses on the production of bills subject to ceiling of Rs. 15,000/- per calendar year. Out of this, a sum not exceeding Rs. 5,000/- per annum may be reimbursed to the Chairman & CEO against his own certificate and for the balance amount bills/cash memos should be produced. Entertainment expenses will be inclusive of entrance fees/subscription to clubs and should be restricted to two clubs/professional institutions.
6. Medical Reimbursement and Hospitalisation Charges: - Reimbursement of medical expenses upto a limit of Rs. 9,000 per annum for self and family with stipulation that reimbursement in respect of his family is restricted to 75 per cent of such expenses and the same may be allowed to accumulate for a period not exceeding three years. Claims exceeding three years will lapse. Hospitalisation charges could be reimbursed to the extent of 100 per cent in the case of Chairman & CEO and 75 per cent in the case of family members.



7. **Traveling Allowance:** - Reimbursement of the actual traveling expenses i.e. single fare each way by the shortest route by train by highest class or by air (Executive Class) by direct flight plus any further transport and other incidental expenses incurred to and fro to the place of meeting / business.
8. **Tax on Non-Monetary Perquisites:** Income tax on Non-monetary perquisites of the Chairman & CEO shall be borne by the Bank
9. **Halting Allowance: - Lodging and Boarding:** As per IBA guidelines.
10. **Leave :-**
  - i. **Casual Leave:** - 12 days in a year. The unavailed portion of casual leave can neither be credited to any other leave account (i.e. privilege leave or sick leave) nor be encashed.
  - ii. **Ordinary Leave:** - One month for every completed service of 11 months with maximum accumulation upto 240 days. (Ordinary Leave means Privilege Leave.)
  - iii. **Sick Leave:** - 30 days for each completed year of service subject to a maximum of 18 months during entire service.
11. **Leave Travel Concession:** - As applicable to other Officers' of the Bank. However, the facility of encashment of privilege leave, if allowed under the Bank's rules can be availed of by the Chairman & CEO only after his demitting the Office.
12. **Provident Fund:** - 10 per cent of salary (on contributory basis)
13. **Gratuity:** - Payment of Gratuity as applicable to other Officers of the Bank. However, as and when the actual payment is proposed to be made to the Chairman & CEO, prior approval of Reserve Bank of India should be obtained. The requirement of minimum service for the payment of Gratuity at the time of cessation of office / resignation will not be applicable to the Chairman & CEO.
14. **Insurance Cover:** - Insurance Cover upto Rs. 5.00 lakhs for journey by Air/Road/Railway on official purpose.
15. **Sitting Fees & Bonus:** - Chairman & CEO will not be entitled to draw any sitting fees nor shall be entitled to bonus.

**DETAILS OF HONARARIUM PAID TO DIRECTORS**

The directors of the Bank are entitled for the sitting fees for attending meetings of Board and Committees thereof as per the details mentioned hereunder :

<b>S. No.</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
1.	Board Meeting	5,000/-
2.	Audit Committee of the Board	5,000/-
3.	Management Committee of the Board	5,000/-
4.	Capital Raising Committee	5,000/-
5.	Investors' Grievances Committee	2,500/-
6.	Information Technology Committee	2,500/-
7.	Strategic Planning & Monitoring Committee	2,500/-
8.	Nomination Committee	2,500/-
9.	Share Transfer Committee	Nil



### Corporate Governance

“The Bank has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/investor Grievance Committee, etc.”

#### 1. Company’s Philosophy on Code of Governance:

The Bank’s Corporate Philosophy is aimed at total commitment to the legal and ethical practices in the conduct of business while endeavoring to grow with profit, enhanced shareholder value and to provide prompt technology based services to the customers. The Bank follows good Corporate Governance Practices by ensuring the following principles: -

- Openness: **It is the basis for confidence, which needs to exist between business and all those who have a stake in its success.**
- Integrity: **It includes both straightforward dealing and completeness.**
- Financial Reporting: **It should present honest, true and fair picture.**
- Accountability: **It improves and sharpens decision-making.**
- Transparency: **It helps to explain the rationale behind the decisions.**
- Disclosures: **It communicates truthfulness and hence generates trustworthiness.**

In order to achieve this mission, the Bank has evolved the following Corporate Philosophy:

“People at large should perceive us as a Bank which is manned by efficient, dedicated and professionally profound personnel, who are untiringly working, supported by state of the art technology, to meet the ever increasing needs of the customers and for achieving the highest levels of customer delight and to enhance the shareholder value”.

#### 2. Board of Directors:

S. No.	Name of Director	Designation
1.	Shri Satish K. Marathe	Chairman and Chief Executive Officer
2.	Shri G. A. Lele	Independent Director
3.	Shri M. A. Athavale	Independent Director
4.	Shri A. B. Telang	Independent Director
5.	Shri. K. H. Navandhar	Independent Director
6.	Shri S. P. Upasani	Independent Director
7.	Shri P. B. Nimbalkar	Independent Director
8.	Shri U. M. Kulkarni	Independent Director
9.	Shri R. G. Tanksale	Independent Director
10.	Shri Jatinder Singh Sahni	Independent Director

#### 3. Committees of Directors

##### A) Management Committee :

S. No.	Name of Director
1.	Shri Satish K. Marathe – Chairman
2.	Shri G. A. Lele
3.	Shri A. B. Telang
4.	Shri K. H. Navandhar
5.	Shri P. B. Nimbalkar
6.	Shri R. G. Tanksale

##### Terms of Reference of Management Committee :

- To consider various business matters of material significance
- Sanctioning of
  - Loan Proposals,
  - Compromise/write off proposals,
  - Capital and Revenue expenditure, within delegated powers,
  - Donations etc.



- Review of legal cases

**B) Audit Committee :**

<b>S. No.</b>	<b>Name of Director</b>
1.	Shri M. A. Athavale – Chairman (w.e.f. 30.11.2004)
2.	Shri G. A. Lele
3.	Shri A. B. Telang
4.	Shri U. M. Kulkarni
5.	Shri R. G. Tanksale

**Terms of Reference of Audit Committee:**

The Terms of Reference of Audit Committee of the Board has been revised by the Board of Directors w.e.f. 27-1-2005 in view of the new Clause 49 of the Listing Agreement

- 1) The Audit Committee shall have meetings periodically as it may deem fit with at least four meetings in a year and not more than four months shall elapse between any two meetings.
- 2) The quorum for the meeting of the Audit Committee shall be either two members or one-third of the members of the audit committee, whichever is greater, but there should be a minimum of two independent members present.
- 3) The Audit Committee shall invite such of the executives, to be present at the meeting of the committee whenever required by it.
- 4) The Asst. General Manager – Accounts, Asst. General Manager – Inspection & Vigilance and the Auditors of the Bank shall attend by invitation and participate at the meetings without right to vote.
- 5) The Audit Committee shall have all the powers to discharge its functions including, inter-alia, power:
  - (i) to investigate any activity within its terms of reference.
  - (ii) to seek information from any employee
  - (iii) to obtain outside legal or other professional advice
  - (iv) to secure attendance of outsiders with relevant expertise, if it considers necessary.
- 6) The role of the Audit Committee shall include the following :-
  - (i) Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - (ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditor and the fixation of audit fees.
  - (iii) Approving payment to statutory auditors for any other services rendered by them.
  - (iv) Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
    - a. Matters required being included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    - b. Changes, if any, in accounting policies and practices and reasons for the same.
    - c. Major accounting entries involving estimates based on exercise of judgment by management.
    - d. Significant adjustments made in the financial statements arising out of audit findings.
    - e. Compliance with listing and other legal requirements relating to financial statements.
    - f. Disclosure of any related party transactions
    - g. Qualifications in draft audit report
  - (v) Reviewing with the management, the quarterly financial statements before they are submitted to the board for approval.



- (vi) Reviewing with the management, performance of statutory and internal auditors, and the adequacy of internal control systems.
  - (vii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - (viii) Discussing with internal auditors any significant findings and follow up thereon.
  - (ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - (x) Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - (xa) Reviewing the Bank's financial & risk management policies.
  - (xi) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders [in case of non payment of declared dividends] and creditors.
  - (xii) Reviewing the functioning of the Whistle Blower mechanism, in case the same is existing.
  - (xiii) Ensuring compliance of calendar of reviews required to be placed before Audit Committee of the Board as per RBI Calendar of reviews which should inter-alia include :
    - a. Follow up and Progress report in respect of RBI Inspection
    - b. Internal Inspection Report
    - c. Concurrent Audit / Revenue Audit
    - d. Appointment of Concurrent Auditors / Revenue Auditors
    - e. Position of Inter-Branch Reconciliation
    - f. Position of Nominal Account
    - g. Balancing Position
    - h. Position of NOSTRO Account
  - (xiv) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and such other function as may be entrusted by the Board from time to time.
- 7) The Audit Committee shall mandatorily review the following information :
1. Management discussion and analysis of financial condition and results of Operations;
  2. Statement of significant related party transactions (as defined by the audit committee) submitted by management;
  3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
  4. Internal audit reports relating to internal control weaknesses, and
  5. The appointment, removal and terms of remuneration of the Chief internal auditor, as and when appointed / applicable, shall be subject to review by the Audit Committee.

**C) Share Transfer Committee :**

<b>S. No.</b>	<b>Name of Director</b>
1.	Shri Satish K. Marathe – Chairman
2.	Shri G. A. Lele
3.	Shri K. H. Navandhar
4.	Shri P. B. Nimbalkar
5.	Shri R. G. Tanksale

**Terms of Reference of Share Transfer Committee :**

- To approve Share Transfer proposals up to 1 per cent of Capital.
- To approve share Transmission proposals.
- To approve proposals of issue of duplicate share certificates
- To approve the proposals of Dematerialisation or Rematerialisation of shares.



**D) Information Technology Committee :**

S. No.	Name of Director
1.	Shri Satish K. Marathe – Chairman
2.	Shri G. A. Lele
3.	Shri M. A. Athavale
4.	Shri. K. H. Navandhar
5.	Shri S. P. Upasani
6.	Shri P.B. Nimbalkar

**Terms of Reference of Information Technology Committee :**

- To advise the Information Technology Department on
  - Planning,
  - Implementation
  - Strategies and modalities
  - Selection of vendors,
  - Standardization of computer equipment,
  - Upgradation and redundancy of Hardware and Software.

**E) Shareholders’/Investor Grievances Committee :**

S. No.	Name of Director
1.	Shri G. A. Lele – Chairman
2.	Shri M. A. Athavale
3.	Shri S. P. Upasani

**Terms of Reference of shareholders’/Investor Grievances Committee :**

- To redress the shareholders’ complaint in respect of
  - Share transfers,
  - Transmission of shares,
  - Issue of duplicate share certificate,
  - Dematerialisation and Rematerialisation of shares,
  - Non-receipt and re-validation of dividend warrants,
  - Non-receipt of Annual Report etc.
  - Redressal of Customer complaints as to Deposits etc.\*

\* As advised by RBI, the job relating to monitoring of redressal of Customer complaints has been entrusted to this committee.

**F) Nomination Committee :**

**S. No. Name of Director**

1. Shri Satish K. Marathe – Chairman
2. Shri M. A. Athavale
3. Shri S. P. Upasani

**Terms of reference of Nomination Committee :**

- To undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other fit and proper criteria. The Committee should obtain necessary information and declaration from the proposed / existing directors for the purpose.
- The process of due diligence should be undertaken by the Committee at the time of appointment / renewal of appointment.



- Based on the information provided in the declaration, Nomination Committee should decide on the acceptance and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.
- The due diligence in respect of the members of the Nomination Committee shall be carried out by the Board.
- The Committee to ensure that the Directors have submitted annually a simple declaration that the information already provided has not undergone change and where there is any change, requisite details are furnished by the Directors forthwith.

**G) Capital Raising Committee :**

<b>S. No.</b>	<b>Name of Director</b>
1.	Shri Satish K. Marathe – Chairman
2.	Shri M. A. Athavale
3.	Shri A. B. Telang
4.	Shri K. H. Navandhar
5.	Shri P. B. Nimbalkar

**Terms of Reference of Capital Raising Committee :**

- Assessing the need for raising of capital.
- To consider alternative options of raising capital & issues involved therein including regulatory clearances, etc.
- The Committee shall consider appointment of Lead Managers to the Issue and also decide and settle the broader terms of issue within the parameters of SEBI (DIP) Guidelines 2000 & RBI Regulations, etc.
- The Committee may seek opinion from the Solicitors, may engage Consultants and avail the services of intermediaries as may be deemed necessary.
- To recommend to the Board on various aspects and on all matters incidental to Issue of capital.

**H) Strategic Planning Committee :**

<b>S. No.</b>	<b>Name of Director</b>
1.	Shri Satish K. Marathe - Chairman
2.	Shri G. A. Lele
3.	Shri A. B. Telang
4.	Shri P.B. Nimbalkar

**Terms of Reference of Strategic Planning Committee :**

- To prepare and recommend to the Board Strategic Business Plan.





**SHAREHOLDING OF DIRECTORS**

The Directors of the Bank hold 5600 equity shares of the Bank amounting to 0.018 per cent of the share capital of UWB. Current shareholding pattern of the Directors of the Bank is as under (as on December 31, 2005):

Name	Number of Equity Shares (Pre Issue)	Number of Equity Shares (Post Bonus Issue)*	Number of Equity Shares (Post Rights Issue)*
Satish K Marathe	300	360	540
Mahesh Anant Athavale	200	240	360
Lele Govind Ananad	300	360	540
Ashok Baliram Telang	200	240	360
Kanhiyalal H Navandhar	1900	2280	3420
Prakash B Nimbalkar	200	240	360
Sharad P Upasani	2000	2400	3600
Umesh M Kulkarni	200	240	360
Rajaram G Tanksale	300	360	540
<b>Total</b>	<b>5600</b>	<b>6720</b>	<b>10080</b>

\* Assuming all directors are allotted Bonus Shares and all of them apply for and are allotted Rights Shares in the ratio of 1 Equity Share for every 2 Equity Shares on the post bonus share capital held on Record Date January 25, 2006.

**INTEREST OF THE DIRECTORS OF THE BANK**

The Directors of the Bank are interested to the extent of shares held by them and relatives or which may be subscribed by them and/or allotted to them by the Bank.

The Directors of the Bank are interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee and reimbursement of traveling and other expenses, if any, for such attendance as per the Articles of Association of the Bank.

The Directors of the Bank are not interested in the appointment of or acting as Underwriters, Registrars and Bankers to the Issue or any such intermediary registered with SEBI.

The Directors of the Bank are not interested in any property acquired by the Bank within two years of the date of Letter of Offer or proposed to be acquired by it.

Save as stated above, no amount or benefit has been paid or given to the Bank's Directors or Officers since its incorporation nor is intended to be paid or given to any Directors or Officers of the Bank except the normal remuneration and/or disbursement for services as Directors, Officers or Employees of the Bank.

The Directors of the Bank are not interested in any loan or advance given by the Bank to any person(s)/ company/ companies nor are they beneficiaries of any loan or advance except as provided below as on:

**A. Loans & Advances**

(Rs. in crore)

Name	Relationship	Facility	Limit	Balance o/s as on 31.12.2005	Asset classification
SICOM Ltd.	Two SICOM nominated	1. BG / LC	20.00	0.57	Standard
	Directors are on Bank's Board	2. Short Term Loan (against FDR)	23.25	8.25	Standard



**B. Financial Transaction other than Loans & Advances**

(Rs. in crore)

Name	Relationship	Facility	Limit (Cost of acquisition of portfolio)	Balance o/s as on 30.06.2005	Asset Classification			
					The acquisition of portfolio comprises of 487 individual accounts during take over. As on 30.06.05, the asset classification was as under			
					Standard		NPA	
					No. of	Amount Accounts	No. of	Amount Accounts
SICOM Housing Development Finance Ltd.	SHDFL is 100% owned subsidiary of SICOM & two SICOM nominated Directors are on Bank's Board	Bank has purchased Housing loans portfolio of SHDFL of Rs. 9.19 crores as on 30.09.03.	4.33	6.57	245	2.53	168	4.04

**Deposits accepted from SICOM Ltd.**

Date of Deposit	Amount of Deposit	Card Rate	Offer Rate	Period
10.10.2005	Rs. 15 crore	6.00%	7.00%	182 days
10.10.2005	Rs. 15 crore	6.00%	7.00%	182 days
10.10.2005	Rs. 5 crore	6.00%	7.00%	182 days

(Rs. in crore)

Name	Relationship	Facility	Limit	Balance o/s as on 30.06.2005	Asset classification
Makharia Synthetics (Division of Emtex Industries (India) Ltd.)	The nominees of Makharias are Directors on the Bank's Board.	TOD	—	NIL	Standard

**CHANGES IN DIRECTORS**

The changes in the directors of the Bank in the last three years are given below :

**A) Changes during the year 2002-03 :**

S. No.	Name of Director (Shri/Smt.)	Date of Appointment / Resignation / Completion of term	Reason for Change
1	K. R. Chandratre	09.08.2002	Resigned
2	Smt. P. P. Kulkarni	18.10.2002	Resigned
3	V. M. Govilkar	29.10.2002	Appointed as a Director to fill Casual Vacancy caused by the resignation from the office of Director by Shri K. R. Chandratre
4	A. B. Telang	29.10.2002	Appointed as an Additional Director
5	V. B. Agarwala	29.10.2002	Appointed as an Additional Director
6	S. T. Gadre	31.10.2002	Ceased to be Managing Director
7	J. S. Kawale	28.12.2002	Elected to the office of Director at the 65 <sup>th</sup> AGM held on 28.12.2002
8	K. H. Navandhar	28.12.2002	Elected to the office of Director at the 65 <sup>th</sup> AGM held on 28.12.2002
9	S. N. Gogate	28.12.2002	Since did not seek re-election, ceased to be Director
10	Dr. A. S. Sathe	28.12.2002	Since did not seek re-election, ceased to be Director
11	S. P. Upasani	28.12.2002	Since did not seek re-election, ceased to be Director
12	P. M. Khire	28.12.2002	Since did not seek re-election, ceased to be Director
13	Satish K. Marathe	31.12.2002	Appointed as Chairman & CEO of the Bank as per RBI approval



**B) Changes during the year 2003-04 :**

S. No.	Name of Director	Date of Appointment / Resignation / Completion of term	Reason for Change
1	A. K. D. Jadhav	31.10.2003	Resigned.
2	Vinesh Kumar Jairath	31.10.2003	Co-opted in the casual vacancy caused due to resignation of Shri A.K.D. Jadhav.
3	Satish K. Marathe	31.12.2003	Re-appointed as Chairman & CEO of the Bank for a period of 3 year effective December 31,2003 as per RBI approval.
4	Lloyd M. Fonseca	23.02.2004	Appointed as an Additional Director by the RBI in exercise of its powers under Sec.36 AB of Banking Regulation Act, 1949.
5	V. B. Agarwala	03.02.2004	Resigned
6	S. P. Upasani	03.02.2004	Co-opted as a Director in the Casual Vacancy caused due to resignation of Shri V. B. Agarwala

**C) Changes during the year 2004-05 :**

S. No.	Name of Director	Date of Appointment / Resignation / Completion of term	Reason for Change
1	J. S. Kawale	24.04.2004	Resigned
2	P. B. Nimbalkar	24.04.2004	Co-opted in the casual vacancy caused due to resignation of Shri J.S. Kawale
3	V. M. Govilkar	30.11.2004	Resigned
4	U. M. Kulkarni	29.12.2004	Co-opted in the casual vacancy caused due to resignation of Shri V.M. Govilkar

**D) Changes from 01.04.2005 to 23.01.2006**

S. No.	Name of Director	Date of Appointment / Resignation / Completion of term	Reason for Change
1	S. V. Joshi	03.05.2005	Resigned
2	R. G. Tanksale	27.10.2005	Co-opted as a Director in the Casual Vacancy caused due to resignation of Shri S. V. Joshi
3	V. K. Jairath	18.11.2005	Resigned
4	R.O. Jalota	18.11.2005	Co-opted as a Director in the Casual Vacancy caused due to resignation of Shri V.K. Jairath
5	L. M. Fonseca	01.12.2005	RBI vide its letter dated December 01, 2005 has withdrawn its
6	(RBI Nominee) Amar Nath	01.12.2005	Nominee on Bank's Board. RBI vide its letter dated December 01, 2005 has deputed him as an Observer in pursuance of the powers conferred U/s 36(1)(d)(ii) of the Banking Regulation Act,1949.
7	R.O. Jalota	07.01.2006	Resigned
8	Jatinder S.Sahni	12.01.2006	Co-opted as an Additional Director

**OTHER DETAILS:**

**1. Depository Services Department :**

**Depository Participant of  
National Securities Depository Ltd.**

[DPID NO.: IN 300505]

"Tilak Bhavan" 1<sup>st</sup> Floor, 486, Sadashiv Peth,  
LBS Road, Pune – 411 030  
Tel: (020) 2433 5548/49/50 Fax: (020) 2433 5546

**Depository Participant of  
Central Depository Services Ltd.,**

[DPID No: 26100]

19/A, Rajaram Estate,  
Mumbai Marathi Granthasangrhalaya Marg,  
Dadar (East), Mumbai – 400 014  
Tel : (022) 2418 5285 Fax: (022) 2418 5133

**2. ISIN No. of the Share of the Bank:**

INE165A01013

**3. UWB Scrip is listed at :**

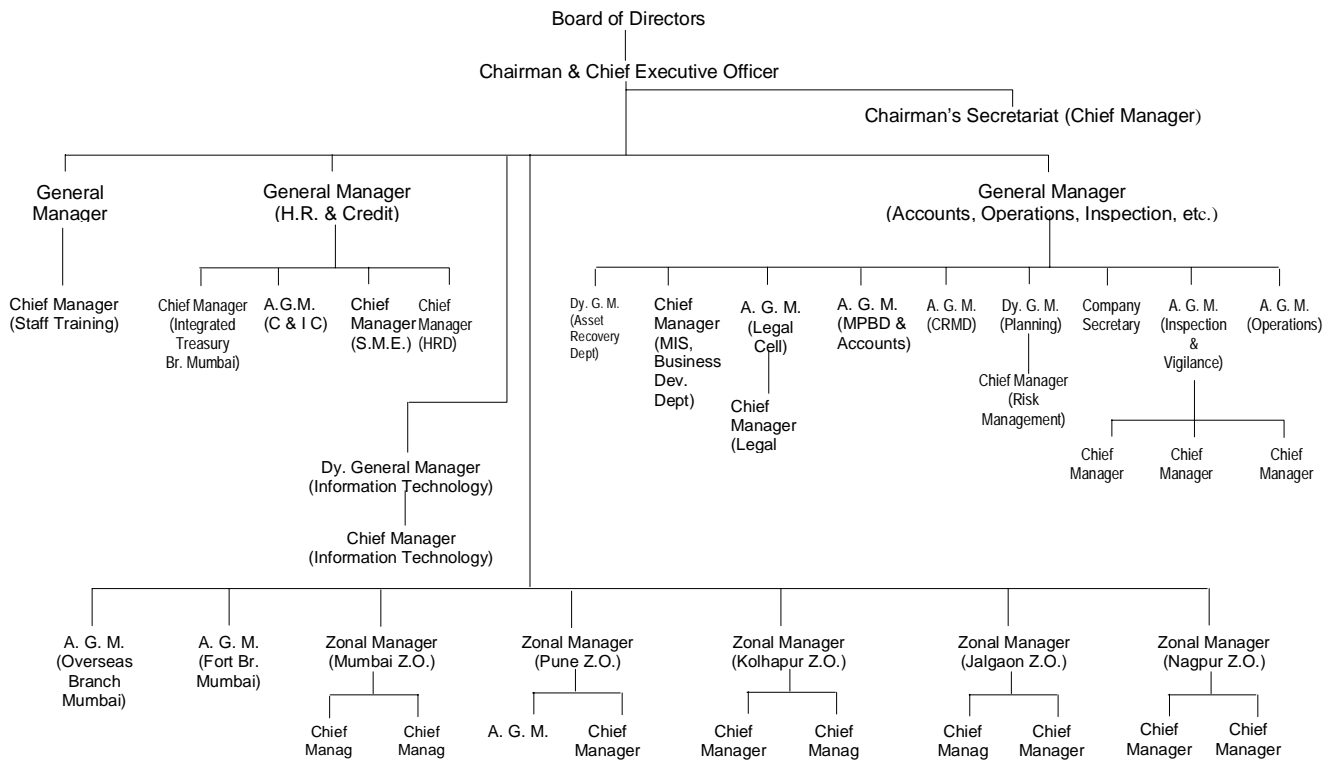
- i) Bombay Stock Exchange Ltd. (Security Code: 500430)
- ii) The National Stock Exchange of India Ltd. (Security Code: UNIWESTBNK)



**ORGANISATIONAL SETUP**

**ORGANISATION STRUCTURE**

The organisation structure of the Bank is as follows :



**KEY MANAGERIAL PERSONNEL**

The day-to-day operations of the Bank are looked after by the Chairman & CEO who is assisted by an experienced and able team comprising General Managers, and others. Bank has identified following key management personnel the brief details of whom are as under :

Name, Designation & Functional area	Qualification Experience in the Bank (years)	Date of Appointment	Previous Employment
Satish Kashinath Marathe Chairman & CEO	B. Com., L.L.B. (General), Diploma in Journalism 36 years	31.12.2002	CEO, Janakalyan Sahakari Bank Ltd., Mumbai
Sanjeev Bhaskar Date General Manager	M. Sc. 29 years	18.03.2002	Asst. General Manager, Bank of Maharashtra
Ratnakar Dinkar Tandale General Manager	M. Sc., B. Ed., LL.B., CAIIB-I 27 years	29.04.1978	Worked as a Lecturer in a college affiliated to Pune University for 1 year.
Ashok Raghunath Kulkarni	M. Sc., CAIIB-I 30 years	09.01.1975	Nil

Except the Chairman and CEO the above persons are on rolls of the Bank as permanent employees. The Bank also has in place a Zonal Structure where Zonal Heads are administratively and functionally responsible for all actions in their respective zones. The Zonal Heads are Senior Executives of the Bank.



**SHAREHOLDING OF KEY MANAGEMENT PERSONNEL (KMP)**

The aggregate shareholding of key management personnel along with relatives as on December 31, 2005 was 1200 shares. The table provides details of shareholding of key management personnel with their relatives.

Name of KMP and their relatives	Designation of KMP / Relationship with KMP	Number of shares held on August 26, 2005
Satish Kashinath Marathe	Chairman & CEO	300
Sanjeev B. Date	General Manager	NIL
Ratnakar D. Tandale	General Manager	250
Ashok R. Kulkarni	General Manager	650

**REMUNERATION OF KEY MANAGERIAL PERSONNEL**

The details of salary paid during the last and current financial year are as under :-

Period	For Shri S. B. Date	For Shri R. D. Tandale	For Shri. A. R. Kulkarni
01.04.2004 to 31.03.2005	Rs. 3,21,912.63	Rs. 3,60,987.60	Rs. 3,51,527.00
01.04.2005 to 30.09.2005	Rs. 2,15,537.28	Rs. 2,25,856.08	Rs. 2,10,783.03

Besides monthly salary, the General Managers are eligible for other fringe benefits/ perquisites such as leave travel concessions, reimbursement of yearly medical aid, hospitalisation expenses, pension or contributory provident fund etc. General Managers have also been provided with residential quarters and bank maintained cars. The perquisites provided to them include free use of landline telephone and cell phone both at office and residence.

**BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL**

There has been no bonus or profit sharing plan for the Key Managerial Personnel of the Bank.

**CHANGES IN KEY MANAGEMENT PERSONNEL**

The changes in the key management personnel in the last three years are given below :

Sr. No.	Name of Employee	Date of Appointment	Resignation / Completion of term	Reason for Change
1.	Shri D. G. Patwardhan (E.D. – Non Board Level)	04.01.2002	03.01.2005	Ceased from the services of the Bank on completion of 3 years of contractual terms
2.	Ashok R. Kulkarni General Manager	11.11.2005	—————	Promoted to Scale VII and appointed as General Manager

**HUMAN RESOURCES**

The Bank has a highly motivated and proactive team of qualified employees who are the key assets of the organization. They have been imparted necessary training in technology and Banking domain. The Staff Training College of the Bank designs and conducts routine as well as specialized training courses for the employees of various cadre through which it is ensured that knowledge enrichment is taken place among the employees. The overall training process acts as an effective catalyzer for desired attitudinal change in the competitive environment. For honing skills and ensuring effective succession planning employees from various departments are nominated to reputed institutions to undergo specialized training programs. Various reward and welfare schemes are in place for the employees, which keep their morale high. The retired employees are contended and also contributing to the development efforts of the Bank through various ways.

## THE UNITED WESTERN BANK LIMITED



The total manpower strength of the Bank as on March 31, 2005 was 3158. The manpower position of the Bank for the last five years is as under:

As at March 31	Total no. of employees	No. of branches
2000	3386	225
2001	3349	225
2002	3347	228
2003	3275	231
2004	3213	230
2005	3158	230

The Bank's employees are its key assets and they have been a major contributing factor in the performance of the Bank. To provide a qualitative and timely service the Bank continued to stress on aspects like efficiency, prompt and quick service to its customers. Necessary training has been imparted to the staff members both at the Staff training College of the Bank and at specialist out side organizations to upgrade the skill of the employees. Adequate training has been imparted for up gradation of skills to operate improved technology.

### ESOS/ESOP SCHEME OF THE BANK

During the year 2000 the management with an intention of introducing an ESOP scheme created a Trust in the name of "The United Western Bank Employees' Equity Trust". The Trust was created to purchase the Bank's equity shares from the secondary market and with respect to the allotment of shares among the employees it was decided that on the acceptance of an offer of the shares in whole or in part; the employee shall undertake to pay on the date of distribution, the average cost of acquisition and pro-rata cost of shares incurred by the Trust. However on directions of RBI the Trust sold its equity holding at the prevailing market price. The Employee Unions in the Bank purchased these shares. Therefore, the said scheme of ESOP could not be implemented.

### SEBI ORDER AGAINST SHAREHOLDERS OF THE BANK

On August 31, 2004, SEBI issued order against Shri Murli Lekhraj and the Sanwa Group of Companies, shareholders of the Bank, with respect to price manipulation of the Bank's stock. A brief on the case is given as under:

"In the matter, SEBI had received various complaints with respect to price manipulation of the shares of UWBL and therefore ordered an investigation into the affairs related to buying, selling and dealing in the shares of UWBL.

The investigation revealed that various cross deals were executed in the shares of UWBL by Sanwa Finance Pvt. Ltd. ("SFPL"), Sanwa Developments Pvt. Ltd. ("SDPL"), Jayem Exports Pvt. Ltd. ("JEPL") (hereinafter collectively referred as "the Sanwa Group") who had a common director i.e., Shri Murli Lekhraj resulting in the manipulation of the share price of UWBL during the period of October- November 2000.

In view of the above, SEBI vide its Order dated 31<sup>st</sup> August, 2004 debarred Shri Murli Lekhraj and Sanwa Group of Companies from accessing the Securities Market and from buying, selling or dealing in securities for a period of two years from the date of the Order.

The aforesaid Order did not contain any observations/ strictures / directions against any Directors/ Officials/ Employees of the Bank."

As a part of good governance practice the SEBI order dated August 31, 2004 in the above matter is reproduced here under:

**MO/68/IVD/08/04**

### SECURITIES AND EXCHANGE BOARD OF INDIA

#### ORDER

**UNDER REGULATION 11 OF THE SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 READ WITH SECTION 11B OF THE SEBI ACT, 1992.**

**AGAINST SHRI MURLI LEKHRAJ, SANWA FINANCE PVT. LTD., M/S SANWA DEVELOPMENT PVT. LTD., Shri JANAK VASWANI AND M/S. JAYEM EXPORTS PVT. LTD., IN THE MATTER OF M/S UNITED WESTERN BANK LIMITED**



1. M/s United Western Bank Limited (hereinafter referred to as 'UWBL') was incorporated in 1937 and is one of the largest private sector commercial banks in India. The bank's capital is held by 48,597 shareholders from all over the country, including some NRI shareholders. The bank's paid up capital is Rs.30 crores and the scrip of UWBL is listed at the Pune, Mumbai and National Stock Exchanges (for brevity's sake hereinafter referred to as 'PSE', 'BSE' and 'NSE' respectively).
2. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') received complaints, including some anonymous complaints, which inter alia alleged price manipulation of the shares of UWBL. In view of the same, Chairman, SEBI, in exercise of powers conferred upon him under Section 4(3) of the SEBI Act, 1992, vide his orders dated 02.08.2001 and 29.07.2003, ordered an investigation into the affairs relating to the buying, selling and dealing in the shares of UWBL.
3. The investigation inter-alia revealed a steep rise in the price of the scrip on the BSE from Rs.33/- as on October 25, 2000 to Rs.60.90 as on November 14, 2000 and on the NSE from Rs.31.00 as on October 17, 2000 to Rs.65.15 as on November 13, 2000. During the period October-November 2000, it was further found that UBWL Employees Equity Trust (hereinafter referred to as 'the UWBL trust') was buying shares of UWBL from the market as well as through off market deals from individual investors and that there was a spurt in the volumes and share price of UWBL in settlement nos.200045 and 200046. Further on scrutiny of the trading pattern from settlement no.2000044 to 2000049 (on NSE) (period – 25.10.00 to 5.12.00), it was noted that –
  - ♦ UWBL Employees Equity Trust (hereinafter referred to as the Trust) was a major buyer during the said period.
  - ♦ Sanwa Finance (P) Ltd. (hereinafter referred to as SFPL), Sanwa Developments Pvt. Ltd. (SDL), Jayem Exports (P) Ltd. (JEPL), all of which had traded in the shares of UWBL during the said period, through Sanwa Securities (P) Ltd., Member, NSE (hereinafter referred to as 'SSPL'), had a common director in Shri Murli Lekhraj. The trades of SSPL, for and on behalf of these clients accounted for a major portion of the gross market quantity, specifically for settlement nos.2000044 and 2000045.
  - ♦ SFPL, SDL and JEL (collectively referred to as the 'Sanwa Group') were clients of SSPL and associated with each other as they were sister concerns of the trading member.
  - ♦ The gross traded quantity by Shri Murli Lekhraj, through SFPL, SDL, JEPL and Shri Janak Vaswani (Son-in-law of Shri Murli Lekhraj.), in comparison with the gross traded quantity in the market (on the NSE) were as under –

Settl No.	Client Name	Buy	Sell	Net qty.	Gross qty.	Mkt. Gross Qty. for the settlement	% of client gross to Mkt. gross
2000044	Sanwa Finance Ltd.	15900	0	15900	15900	70374	22.59
2000045	Sanwa Finance Ltd.	0	413530	-413530	413530	1358668	30.4
2000045	Sanwa Dev. P. Ltd.	419696	0	419696	419696	1358668	30.89
2000046	Sanwa Dev. P Ltd.	8000	2260	5740	10260	2067592	0.50
2000046	Sanwa Finance Ltd.	120721	62000	58721	182721	2067592	8.84
2000046	Janak Vaswani	10000	10000	0	20000	2067592	0.97
2000047	Sanwa Finance Ltd.	20974	20974	0	41948	964368	4.35
2000048	Sanwa Finance Ltd.	12799	1313	11486	14112	422356	3.34
2000049	Sanwa Finance Ltd.	11690	1600	10090	13290	205902	6.45

- ♦ SSPL had executed 52 cross deals amounting to 432670 shares on behalf of its clients. The cross traded quantity accounted for 59.36% of the gross market quantity for settlement no.2000045 and 2.84% of the gross market quantity for settlement no.2000046.



- ♦ In settlement no.2000045, opposite positions were taken by SFPL and SDL on whose account cross deals had been executed.
  - ♦ Analysis of cross deals executed by SSPL showed –
    - Highest price variation with respect to previous traded price was of 5.94% on the positive side and 0.73% on the negative side.
    - The price of the scrip increased steadily from Rs.34.8 (as on 25.10.00) to Rs.63.25 (as on 14.11.00), an increase of 81.75%. This increase was in two settlements, viz., settlement nos. 2000045 to 2000046.
    - Similarly, the traded quantity which was 4700 shares (as on 25.10.00) increased to 581149 shares (as on 13.11.00).
    - This increase in price and volume from settlement nos. 2000045 and 2000046 was attributed to the cross deals executed by SSPL with the intention of creating an artificial market and rigging up the price of the scrip.
4. In view of the findings of investigation, as stated above, SEBI issued a notice dated October 27, 2003 to Shri Murli Lekhraj, among others, calling upon him to show cause as to why directions under Section 11B of SEBI Act, 1992 and Regulations 3 and 4(1) and (2)(a), (b) and (e) of SEBI (Fraudulent & Unfair Trade Practices relating to the securities market) Regulations, 2003 should not be issued against him inter alia for manipulating the price of the scrip of UWBL. In the said notice, SFPL, SDL JEPL and Shri Janak Vaswani were also called upon to show cause why directions under Section 11B of SEBI Act, 1992 and Regulations 3 & 4 of SEBI (Fraudulent & Unfair Trade Practices relating to the securities market) Regulations, 2003 should not be issued against them for aiding & abetting Shri Murli Lekhraj in manipulating the price of the scrip. The said entities were advised to furnish their reply within 21 days of the receipt thereof and it was also indicated that if they failed to furnish their reply within the stipulated time, it would be presumed that they had no explanation to offer and that SEBI would take action as it deemed fit.
  5. Shri Murli Lekhraj on his behalf as well as on behalf of SFPL, SDPL, JEPL, SSPL, and Sino Securities Pvt. Ltd (member, BSE and also having Shri Lekhraj as its director), vide his letter dated November 27, 2003, inter alia challenged the contents of the show cause notice and also refuted acting through SSPL, SFPL, SDL and in the said process violating Regulation 3 and 4(a), (b) and (c) of chapter II of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 1995, prevalent at that time. Shri Lekhraj further denied that as the promoter director of SSPL, he was responsible for creating a false market and manipulating the price of the scrip of UWBL and subsequently, offloading his holding in an off-market deal to the Trust or that SFPL, SDL and JEPL had aided and abetted him in manipulating the price of the scrip. It was further stated that although they had requested for various relevant details from SEBI, they had not been provided with the full copies of the recorded statements of Mr. P. N. Joshi, Mr. S. T. Gadre, Mr. S. V. Joshi, Mr. Vadodkar and Mr. N. J. Mathur, officials of UWBL. On the basis of the above, while seeking the inspection of the documents mentioned, it was requested that the proceedings against them be dropped in view of the submissions made above and that they be granted a personal hearing. I have noted that Shri Murli Lekhraj and his companies were provided with the copies of all the documents as requested by them and also relevant extracts of the recorded statements of the bank officials.
  6. In view of the request for a personal hearing, Shri Lekhraj and the Sanwa Group were advised to appear before me for a hearing on March 05, 2004. On the said date, the said entities reiterated that they were not guilty of any default and that no action should be taken against them as the allegations contained in the show cause notice were incorrect.
  7. I have taken into consideration the facts and circumstances of the case and the material available on record which includes the facts leading to the investigation, submissions made on behalf of Shri Lekhraj and the Sanwa Group, the findings of the investigation, the show cause notice and the reply of the parties to the same.





8. From the findings of the investigation, I have noted that the following allegation was leveled against Sri Lekhraj and the Sanwa Group which I shall to proceed to deal with as below :-
9. I have noted the fact that during the period October-November, 2000, the UWBL trust was buying shares from the market as well as through off market deals from individual investors and that the newspapers were replete with reports of tussle between the bank's management and SICOM (its largest shareholder) for control of the bank.
10. Shri Murli Lekhraj was a director in SSPL, SFPL and all its associate companies. His company SFPL was one of the top shareholders of UWBL, with its name appearing in the top 50 shareholders list, holding 665250 shares as on 30.9.00. As on 15.11.00, SFPL held 585206 shares, 645116 shares as on 30.11.00 and nil shares as on 31.12.00. In this regard, I have noted the submission of Shri Lekhraj that the Sanwa Group was holding a large number of shares in UWBL (almost 4% of the equity capital) acquired over a period of time since 1994-95, with the knowledge of UWBL, the objective being long-term investment. The details of the investments made by the Sanwa Group in UWBL were stated to be as follows :-

Entity	Year of Purchase	Quantity of shares	Cost (Rs. lakhs)	Average Price/ Share (Rs.)
Jayem Exports	1994-95	33,400	28.11	<b>84</b>
	1995-96	62,000	24.80	40
Sava Garments	1994-95	23,500	19.49	<b>83</b>
	1995-96	39,000	15.60	40
Palmar Investment	1994-95	35,000	27.50	<b>78</b>
	1995-96	60,300	24.22	40
<b>Sanwa Finance</b>	<b>1994-95</b>	<b>28,000</b>	<b>35.34</b>	126
	1995-96	46,000	18.40	40
	1996-97	44,600	14.31	32
	1997-98	1,79,100	58.14	32
	1998-99	3,12,000	88.87	28
	1999-00	3,55,300	77.56	22
	2000-01	1,64,703	94.16	57
<b>Total</b>		<b>13,82,903</b>	<b>526.50</b>	

11. I have noted that on account of SFPL being the top individual shareholder of UWBL (other than the financial institutions), and as a consequence of the takeover threat to the bank, the bank management/officials were in constant touch with Shri Murli Lekhraj. I have also noted that Shri S. T. Gadre, Executive Director of UWBL had met Shri Lekhraj to apprise him of the bank's view/standing with regard to the takeover threat faced by the bank, from SICOM Ltd. In view of the same, Shri Murli Lekhraj would have been aware of the attempts of the bank to consolidate its holding by buying shares in the open market, towards avoiding the takeover threat from SICOM. I have also noted that the Sanwa Group is said to have sold 1205816 shares in an off market deal to the Trust on 14<sup>th</sup> November 2000. These facts were also substantiated by Shri Lekhraj himself during the time of his statement recording on 12.12.02. I have noted the fact that during the recording session, Shri Lekhraj essentially stated that being an investor looking for profit, he was willing to sell his holdings to the party, which paid the "right price". He had further stated that Shri N J Mathure, Deputy General Manager, UWBL and Shri S T Gadre, Executive Director of the bank had approached him, seeking his support and proxy in the forthcoming EOGM of the bank, which was to be held on 24.11.00.
12. I have also noted Shri Lekhraj's contention that around the 10<sup>th</sup> or 11<sup>th</sup> of November, he telephoned Shri P N Joshi, Chairman, UWBL and offered to sell his entire holding for a price of Rs.100/- per share and that on



- 12.11.00, Shri P N Joshi called him back and agreed to purchase the entire holding at Rs.70/- per share and compensate the difference of Rs.30 per share, by way of rights or bonus issue which was in the offing, is also noted. In this regard, I have noted the fact that there is no written agreement to substantiate such a claim of an agreement with Shri Joshi. However, Shri Lekhraj had put this alleged agreement in writing by sending a letter to such an effect to Shri P N Joshi and Shri S A Vadodkar, General Manager, UWBL by courier and a copy by fax dated 29.11.00. On their part, Shri P N Joshi, Chairman, Shri S T Gadre, Executive Director, Shri S V Joshi, Director, Shri S A Vadodkar, General Manager, Shri N J Mathure, and Deputy General Manager during the time of recording their statements submitted that Shri Murli Lekhraj had demanded a price of Rs.70/- per share and Shri S. V. Joshi said that he was trying to get a higher price to part with his holding. Thus, Shri Murli Lekhraj was well aware of the developments in the bank as well as regarding the interest of the bank in acquiring his stake in the bank, so as to consolidate its shareholding. In fact, from October end, 2000 till beginning of November, 2000, he was negotiating with the bank to sell his holdings.
13. As stated above at para 3, I have noted that SSPL had traded on behalf of its own associate companies and relatives/ Directors and that these trades constituted a major percentage of the gross traded quantity for settlement nos.44 & 45 on NSE, period being from 25.10.00 to 7.11.00.
14. I have noted that SSPL had admittedly executed 52 cross deals, amounting to 4,32,670 shares, during settlement nos.45 & 46, on behalf of its clients, allegedly for the purpose of tax write off and the gross traded quantity accounted for 59.36% (amounting to Rs.183 lacs on NSE in Settlement No.45) of the total market gross for settlement no.45 and 2.84% of total market gross for settlement no.46 (amounting to Rs.18 lacs on NSE). For settlement no. 45, opposite positions were taken by the clients, SFPL and SDPL, both associated entities of the member. The gross traded quantity of the Sanwa Group of entities, through SSPL, vis-à-vis the market gross (including NSE and BSE) was found to be more than 30%, during the period of investigation.
15. In their defense, Shri Lekhraj and his group companies submitted that a cross deal (a bulk deal executed between two clients of the same broker) was a permitted transaction in terms of SEBI Circular dated 14<sup>th</sup> September, 1999 – SMD/POLICY/CIR-32, where under SEBI had instructed all brokers that such deals are permitted to be executed only on the screens of the exchanges in the price and order matching mechanism of the exchanges just like any other normal trade. It was further contended that SSPL, their broker, advised them that the most transparent manner of transferring these shares to SDPL was by effecting deals on the screen-based trading system of the NSE, particularly because they are associate companies and accordingly, SFPL and SDPL executed these deals on the NSE in the price and order matching mechanism of NSE, just like any other normal deal, where under SFPL sold 4,11,260 shares of UWBL to SDPL. It was stated that if two parties desired to carry out such a transaction through a common broker, then the broker had no choice but to execute a cross deal and although SFPL and SDPL could have executed the same transactions by using two different brokers, taxation was the overriding consideration in these deals and more importantly, all these trades had been executed at a price which was near about the ruling market price. Further when the deals were executed by SFPL and SDPL, there was a possibility that somebody else in the market could have picked-up the shares, since there was no assurance on a screen-based trading that SFPL would be able to sell only to SDPL and that someone else in the market would not be able to buy them and vice versa. It was stated that the Sanwa Group carried out cross deals for 4,32,670 shares only i.e. 4,03,260 shares in Settlement No.45 and 29,410 shares in Settlement No.46 from 1<sup>st</sup> November, 2000 and executed them on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> November, 2000, at which point of time, they were not even aware of the notice of EGM of UWBL. Shri Lekhraj stated that even before they became aware of the EGM, a cross deal of 1,94,730 shares had been executed and a substantial majority of the cross deals, amounting to 4,03,260 shares, was executed in Settlement No.45 between 1<sup>st</sup> November and 7<sup>th</sup> November 2000. Murli Lekhraj clarified that SICOM and the management of UWBL had only approached him to support their group in the forthcoming EGM on 24, November, 2000, on a date sometime after 3<sup>rd</sup> November, 2000 i.e. the date of receipt of notice of EGM as per the decision of the Board of UWBL on 31<sup>st</sup> October, 2000 to call an EGM, for which the notice was posted and received by them on or after around the 3<sup>rd</sup> November, 2000, by which time the Sanwa Group had already carried out a substantial part of the cross deals. Even the press reports started coming in only by the 8<sup>th</sup> of November 2000, by which date, 93% of the cross deals were over. On the said basis it was clarified that at the time when the Sanwa Group executed the cross deals, they had neither an indication that someone would buy from it such a



large chunk of shares of UWBL nor did it contemplate selling its stake in UWBL to anyone, since it was a long-term investor. It was stated that the deal with the Trust was orally concluded on 12<sup>th</sup> November 2000, and by the time the offer was made to Mr. Joshi, over 93% of the cross deals had been executed. On the said basis, it was stated that there was no connection between the cross deals executed by them and the sale of the shares to UWBL in the off-market deal. On the said premise, Shri Lekhraj denied that the said deals had been executed only because they were aware that the UWBL Trust was interested in acquiring shares from them and that these deals actually influenced the market price which further influenced the negotiated deal price.

16. Shri Lekhraj further stated that although no cross deals, or for that matter no deals by the Sanwa Group were executed on the NSE on 6<sup>th</sup> November, 8<sup>th</sup> November, 9<sup>th</sup> November and 10<sup>th</sup> November, the share price of UWBL rose even on those days and that even on the days when the Sanwa Group did not execute a single trade, (cross or otherwise), the prices rose by 8% everyday and the scrip was in a freeze on all 3 days and that in all, the price rose by 26% over the closing price of 7<sup>th</sup> November, 2000 in these 3 days, which proved that the Sava Group was not responsible for the steep price rise from Rs.34.80 on October 25, 2000 to Rs.61.20 on November 10, 2000. It was contended that there were presumably other active and interested buyers who were responsible for the price rise.
17. As regards the acquisition of 18,150 shares by SFPL on November 13, 2000, in a cross deal with Mr. Janak/ Ravi H. Vaswani (both being clients of the Sanwa Group), the same is stated to have been done allegedly for trading purposes and due to the fact that Janak Vaswani or for that reason, the entire Vaswani Group had been the clients of SSPL/Sino for quite sometime. It has been stated that on the said date, the total volume of UWBL on NSE was 5,81,149 and on the BSE it was 2,48,501 and the combined volume was 8,30,000 shares and that one cross deal of 18,150 shares could not have had an impact on the market price. As regards the cross deals executed even after the negotiated deal had been sealed on 12<sup>th</sup> November 2000, it has merely been stated that the same deals were executed without any intention to prop-up the prices.
18. It was further stated that in settlement No.46, the fact that the trades were executed at lower prices has not been taken into consideration. For instance, on 13<sup>th</sup> November 2000, the 1<sup>st</sup> deal was executed at Rs.58.50 but the very next deal was stated to have been done at Rs.57.25. Similarly, 18,150 shares (spread over 7 trades) were traded at one single price of Rs.65.90. The freeze level on that day was Rs.66.10. Similarly, although on 14<sup>th</sup> November, the 1<sup>st</sup> deal was executed at Rs.70.30, the very next deal was done at Rs.63.00, i.e. 10.38% lower than the last traded price. On the said basis, it was stated that as the deals were executed at the prevailing market prices it was not possible to influence the price with such a low volume.
19. With regard to the deals executed by Sino Securities Pvt. Ltd, member, BSE (hereinafter referred to as 'Sino'), it was stated that although the Sanwa Group did not execute a single trade, let alone a cross deal on the BSE from 1<sup>st</sup> November to 13<sup>th</sup> November, 2000, the price of UWBL was rising on BSE on all of these days and the scrip witnessed healthy volumes on several days. Further the price on the BSE shot up from Rs.35.50 on 1<sup>st</sup> November 2000 to a high of Rs.64.00 on 13<sup>th</sup> November 2000, i.e. an increase of 80%. Further, on 13<sup>th</sup> November 2000, it witnessed a volume of 2.48 lakhs shares. It was stated that none of these trades could be attributed to the Sanwa Group and although they had no information on who exactly was buying the shares, in all likelihood, the Trust and/or someone else in a bid to shore up its/their holding prior to the EGM, was / were acquiring the shares from the market, which was leading to the rapid increase in the share price of UWBL. It was further stated that during the relevant period, Sino bought for its client, 55,000 shares of UWBL on BSE only on 14<sup>th</sup> November 2000 and did not sell even a single share either on that day or in that settlement on the BSE. Hence, there was no basis whatsoever for the allegation that Sino was continuously supporting the price on BSE. It was stated that Sino bought the shares from the market for its client and the sellers were outsiders and not the Sanwa Group of companies. Hence there was no basis for the allegation that these orders were executed for raising the price of the scrip on BSE on November 14, 2000.
20. It was clarified that the most important fact was that the Sanwa Group sold the bulk shares to an informed Buyer i.e the UWBL Trust and not to an ordinary investor on the street and that the deal was negotiated by none other than the UWBL's Chairman @ Rs.70/- per share, which fact was admitted in the statements recorded by SEBI of Mr. P. N. Joshi, Chairman, Mr. S. T. Gadre, Executive Director, Mr. S. V. Joshi, Director and Mr. S. A. Vadodkar, General Manager of UWBL. It was reiterated that the negotiated deal price had no



relevance or linkage to the ruling market price in as much as when the offer of Rs.100 per share was made to Mr. Joshi on 11.11.00 (Saturday), the closing market price on 10.11.00 (Friday) was Rs.61.20 i.e. below the negotiated price of Rs.70/- Thus, the ruling market price would not have affected the deal price and the Sanwa Group would not have sold its large block of shares unless it got a fair price based on various parameters.

21. From the investigation reports, and upon an analysis of the trade data, especially with respect to the period when the share price of UWBL shares rose from Rs. 35.25 to Rs 70, I have noted as follows:-

As on 31.10.2000 the share price of UWBL was only Rs. 35.25 per share. The first cross deal was executed between the associate companies on 1.11.00. As each day progressed, a series of cross deals were executed. The price of the scrip also showed a progressive rise from Rs.36.25 to Rs.48.55 during the period from 1.11.00 to 7.11.00. The Sanwa group did not trade, at least in their own names, on 8.11.00, 9.11.00, 10.11.00, 11.11.00 and 12.11.00, (10.11.00, 1.11.00 and 12.11.00 were holidays on account of being Saturday and Sunday and there was an additional bank holiday) However upon their resuming trading on 13.11.00 and 14.11.00, the price showed an increase from Rs.58.50 to Rs.70.30 per share. On 13.11.00 (settlement No. 46) the first cross trade was executed at a price of Rs.58.50 which was subsequently increased to Rs.65.9 (in the 6<sup>th</sup> cross trade executed on the same day). On 14.11.00, the very first cross trade executed was at a price of Rs.70.30 (7.9% above the previous traded price). Thus by each order put through, there was an increase in the price of the scrip.

22. In each of the cross deals, the broker was SSPL and the buying and selling clients were JEPL, SFPL, SDPL and Shri Janak Vaswani who as brought out earlier, were associate concerns of SSPL, Shri Janak Vaswani being a relative of Shri Murli Lekhraj. Though delivery of shares was given and taken, it is only by these cross deals between the associate/group companies/relatives, that the price of the scrip was raised, as shown above at para 21 above.

23. Although the deal with the UWBL Trust was allegedly concluded orally on 12<sup>th</sup> November, 2000, by which time over 93% of the cross deals are stated to have been executed, the fact that Shri Murli Lekhraj had prior knowledge of the UWBL Trust purchasing shares from the market (which was anyway common knowledge) and that he too was looking out to sell his entire holding in UWBL in the price range of Rs.70/- to Rs.100/ is not disputed. Admittedly at that point of time, from October end, 2000 to the beginning of November 2000 he was negotiating with the bank to sell his holding and had admittedly contacted the bank officials and had expressed his willingness to sell the shares. The initiative had been taken by him in telephoning the Chairman of the bank and offering to sell his entire holding. However the market price of the scrip was Rs.35.25 per share as on 31.10.00. It is reasonable to assume that he would not have got a good price for his holding unless the market price of the said scrip was raised. Hence Shri Lekhraj was definitely in a good bargaining position vis-à-vis the bank/Trust, since he was armed with the prior knowledge that he was the only shareholder holding the bank's shares in bulk through SFPL and that the bank's management were desperate to ward off the takeover threat and were seeking support for the EOGM to be held on 24.11.00 which had been called for by SICOM Ltd. and 17 other shareholders to appoint 4 persons as directors on the board under Section 169 of Companies Act, 1956. In this context, read with the facts above mentioned, the rationale for the execution of cross deals by SSPL, its associate company in Settlement Nos. 45 to 46 on NSE, seems comprehensible.

24. I have also noted that on 14.11.00, the day when the debit notes were raised by Shri Murli Lekhraj/Sava group for the Trust, for the purchase of the shares, the scrip touched the maximum price of Rs.70/- per share and that when the NSE asked for an explanation from SSPL for these cross deals, SSPL's had stated that the cross deals between their group companies were only for income tax purposes and not for affecting the price. This explanation does not seem convincing, especially after taking into account the contention of Murli Lekhraj in his letter dated 12.1.01 addressed to the Trust admitting that he was supporting the price of the scrip, on the instructions of the Bank/Trust and further stating that the Trust should take up 37991 shares (held by SFL) and 5740 shares (held by SDPL) "*being the shares bought under your(bank's) instructions to support the price*" as opposed to the denial by the bank/Trust that they had advised Shri Lekhraj to support the price of the scrip. Moreover I have also noted the contention of Shri Shrikant V Joshi, Director of the bank, that Shri Murli Lekhraj had demanded a price of Rs.70/- per share and was trying to get a better price to part with his holding. However



Shri Lekhraj stated that the term “support” had been taken out of context and been misinterpreted to the effect that he would support the price of the UWBL by artificially manipulating the price or by doing false trading. It was clarified that what was meant was that he would genuinely buy the shares from the market, make an investment and bear the market risk since he believed that UWBL was an underpriced scrip which had the potential to perform better and thus, the Group continued buying even later on and continued to hold it even later. Drawing an analogy it was stated that when RBI “supported” the rupee by buying the dollars, RBI entered into genuine and legal transactions and hence on the same spirit and understanding, they had actually bought the shares as investors and had been holding them. However if I were to accept such a contention, then notwithstanding the overriding reason of tax write offs, there was no reason for Shri Lekhraj along with the Sanwa Group to offload such a bulk deal (purchased at the same market price) in favour of a third party at a price which was again near about the ruling market price. Having noted Shri Lekhraj’s contention that he was an investor looking for maximum profit and had accordingly and allegedly made a negotiated deal with the Trust, I find the contention that the Group did not make a gain of Rs.3.84 crores as alleged in the notice and that instead, there was a loss of Rs.17.91 lakhs, to be untenable.

25. Hence on a cumulative analysis of the facts above stated, it appears that Shri Lekhraj, through his associate companies, in the process of negotiating with the bank officials the price of his entire holding while selling it to the Trust in an off market deal, had the reason and opportunity to manipulate the price of the scrip and create an impression of false volume and did so by executing a series of cross deals through his own group companies acting as clients, on the exchange. Although cross deal per se are permitted by SEBI when done on the price and order matching mechanism of the exchange, the said deals of all his associate companies on the NSE through SSPL indicate that the Sanwa group (mainly through SFPL and SDL) purchased the said shares for the purpose of raising the price of the scrip of UWBL.
26. It is apparent that in order to strike a deal with the bank officials and thereby get the “right price” for his holding, it was imperative that the market price of the scrip should have to be around Rs.70/- level to enable Shri Murli Lekhraj to sell his holding to the Trust (in off-market deal).
27. I have noted that on 14.11.00, the various group companies of Shri Lekhraj raised debit notes in the name of the Trust for sale of shares @Rs.70/- per share as follows –

No.	Name of the company	No. of shares sold	Consideration
1	Jayem Exports (P) Ltd.	95400	6678000
2	Sava Garments Mfg. (P) Ltd.	62500	4375000
3	Palmar Invt. & Trading Co. (P) Ltd.	95300	6671000
4	Sanwa Finance Ltd.	531820	37227400
5	Sanwa Developments (P) Ltd.	419696	29378720
6	H B Vaswani	1100	77000
	<b>Total</b>	<b>1205816</b>	<b>84407120</b>

28. In view of the above findings, I am convinced that Shri Lekhraj, through his associate companies, manipulated the price of the scrip and gave an impression of false volume by executing a series of cross deals through the exchange, at a time when he was also in the process of fixing the price for selling his holding to the UWBL Trust. By the aforesaid acts, Shri Murli Lekhraj, acting through SSPL as its promoter director, initially created a false market and manipulated the price, with the help of its group companies. Subsequently, he offloaded his holding in an off-market deal to the UWBL Trust. He, as the director of SSPL, a registered member of NSE, was fully aware of the Rules and Regulations of SEBI. By the aforesaid acts he has not maintained standards of integrity, promptitude and fairness and has indulged in manipulative, fraudulent and deceptive transactions for his own personal gain, which led to the disruption of the smooth functioning of the market.



29. Although Shri Lekhraj has contended that he is an NRI and only enjoyed an honorary position as a Director in the Sanwa Group of Companies comprising of Sava Securities P. Ltd. (“SSPL”), Sanwa Finance P. Ltd. (“SFPL”) Sanwa Developments P. Ltd. (“SDPL”), Sino Securities Pvt. Ltd. (“Sino”) and Jayem Exports P. Ltd. (“JEPL”), without any involvement in the day to day business or affairs of the said companies, as he was not in India for the major part of the time and that it would not be just and fair that he be implicated in these proceedings, admittedly he is the Director of the companies. As a general rule, all officers of a company are appointed to act in the interests of the company and an important area of their legal responsibility stems from the law of trusts – i.e. a fiduciary relationship with the company. The duties arising from this relationship are well defined viz., to act in a bona fide manner and exercise their powers for the benefit of the company, to avoid a conflict of interests and a duty not to restrict but freely and fully, exercise their duties and powers. In addition, they also owe a duty of care to the company, not to act negligently in the management of its affairs but exercise reasonable care and such skills as might be reasonably be expected of a person of knowledge and experience. Consequently the issue of Shri Lekhraj not being in charge of and responsible for the conduct of its business would become a question of evidence and depend upon the facts and circumstances of the case. A mere averment that the day to day management of the company did not vest with him would not suffice for the said entity to escape liability. In the case under consideration, if Shri Lekhraj’s argument were to be accepted, then he ought to have substantiated his stand. Yet apart from making a bare averment to this effect, no further contentions were advanced on this issue. Hence, in the absence of any satisfactory evidence to indicate that the irregularities under consideration were committed without his knowledge or that he had exercised due diligence to prevent the commission of such an offence, it would be manifest and can be concluded that Shri Lekhraj, along with his group companies mentioned in the show cause notice, was responsible for the conduct of the business of the said companies.
30. Although Shri Lekhraj has time and again contended that there was no violation of the provisions of the Regulations quoted in the show cause notice; from a cumulative reading of the facts available on record and mentioned above and the circumstantial evidence, read with the provisions of the regulations quoted above, I find that Shri Lekhraj has acted in concert with his group companies to create an artificial/ false market during the said period, thereby aiding and abetting the price manipulation of the scrip. However as regards the allegation against Shri Janak Vaswani, I do not find the evidence on record sufficient to implicate Shri Janak Vaswani.
31. The acts committed by Shri Lekhraj, acting in concert with his group companies, are violative of the provisions of Regulations 3 and 4(a)(b) and (e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and not in accordance with sound market principles.
32. In this context it is relevant to note the provisions of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 which reads as under :
- Regulation 4 :
- ‘No person shall –
- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;
  - (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;
  - (c) .....
  - (d) .....
  - (e) pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money’s worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities.”



33. It is to be noted that persons who operate in the market, are required to maintain high standards of integrity, promptitude and fairness in the conduct of the business dealings. People, who indulge in manipulative, fraudulent and deceptive transactions or abet the carrying out of such transactions, which are fraudulent and deceptive, are not fit or proper persons to operate in the market. Although it has been contended that there has not been any other instance of default by the Sanwa Group, either in the payment of dues or delivery of shares by SSPL to its clients, Exchanges, etc or any complaints against SSPL/Sino either by or before SEBI, in view of the facts and circumstances of the case and the violations by Shri Lekhraj and his group companies i.e. Sanwa Finance P. Ltd. ("SFPL") Sanwa Developments P. Ltd. ("SDPL"), and Jayem Exports P. Ltd. ("JEPL") of the provisions formulated by SEBI for the protection of the investors, I find that a direction restraining them from accessing the securities market and dealings in the securities market for a specified period would be required. The passing of such an order would be necessary for the regulation of the persons operating in the capital market and the development thereof, as well as for the protection of the investors.
34. In view of the above and in exercise of the powers conferred upon me under Sections 19, read with Sections 11 and 11B of the SEBI Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby debar Shri Lekhraj along with Sanwa Finance P. Ltd. ("SFPL") Sanwa Developments P. Ltd. ("SDPL"), and Jayem Exports P. Ltd. ("JEPL") from accessing the securities market and from buying, selling or dealing in securities for a period of 2 years.
35. This order shall come into force with immediate effect.

PLACE : MUMBAI  
DATE : AUGUST 31, 2004

**A. K. BATRA**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

(Source: [www.sebi.gov.in](http://www.sebi.gov.in))

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**PAYMENT OF BENEFIT TO OFFICERS OF THE BANK (NON-SALARY RELATED)**

No amount or benefit has been paid or given within the two preceding years nor intended to be paid or given to any officer of the Bank.

**PROMOTERS**

There is no identifiable promoter or promoter group. The Directors of the Bank hold 5600 equity shares of the Bank amounting to 0.018 per cent of the share capital of UWB.

**RBI INSPECTION**

The Bank's activities are governed by Banking Regulation Act, 1949. RBI, as a supervisor, oversees the activities of the Bank. RBI conducts an annual financial inspection of the Bank.

Simultaneously, branch inspection is also carried out. Discussions with the management of the Bank also form a part of the inspection and surveillance process. The Bank is audited by statutory auditors approved by RBI.

**PREVIOUS ISSUES OF PROMOTERS**

Not applicable since there are no identifiable promoters.

**SUBSIDIARIES OF THE BANK**

The Bank has only one Subsidiary namely, The Western India Trustee and Executor Co. Ltd. (WITECO)

**Date of Incorporation, Promoters & Management**

The Western India Trustee & Executor Company Limited (WITECO) incorporated in the year 1946 under the Indian Companies Act, 1913, was founded 58 years ago by the great visionary Late Shri Annasaheb Chirmule (popularly known as Vima Maharshi). WITECO is a subsidiary of The United Western Bank Limited and presently UWB has a shareholding of 71 per cent in WITECO, whereas Life Insurance Corporation of India is having 15 per cent shareholding and balance 14 per cent shareholding is with public. Affairs of WITECO are managed by eminent and professional Board of Directors comprising of following persons :

Shri S. V. Joshi	- Chairman
Shri R. H. Tilak	- Director
Dr. Shri A. G. Gondhalekar	- Director (Up to 22.01.2005)
Shri V. G. Palkar	- Director
Dr. Shri A. S. Sathe	- Director
Shri R. J. Joshi	- Director (Up to 29.09.2005)
Shri G. K. Dravid	- Director (From 29.09.2005)
Shri R.L. Narasimhan	- Director (From 22.01.2005)
Shri. N. J. Mathure	- Managing Director

WITECO has presently 3 Branches viz. Mumbai, Pune & Satara and has dedicated staff of over 30 professionals. WITECO is also empanelled as Receiver with DRT Mumbai. Till 1999, WITECO was predominantly engaged in Management of Public- Religious, Educational and Charitable Trusts & Private Trusts. However due to opening of the new vistas WITECO during the year 1999 diversified its activities in the field of Debenture Trusteeship by obtaining SEBI License. Recently WITECO again diversified its activities by undertaking other Trusteeship activities such as Security Trustee, Securitisation Trustee, Sharewarehousing and Venture Capital Trustee.

**ISO 9001:2000 Certification**

To strengthen the existing systems and procedures carried out at the various offices of the company, it was decided by WITECO to go for system audit certification and company succeeded in obtaining ISO 9001:2000 Certification, which is testimony of the fact that the systems & procedures are effective and resilient to take care of the requirements of our esteem corporate & other clients. The ISO Certification will certainly enhance the image.

**Main Business**

Brief particulars about main activities undertaken by WITECO are given as under :

**1. Debenture Trusteeship**

WITECO is presently acting as debenture trustee in 189 issues of various Central Government and State Government Corporations, Multi National Companies and top industrial Groups/ Houses of India. The portfolio under Trusteeship is well over Rs. 29314 crore.

**2. Security Trusteeship**

WITECO has diversified its activities as Security Trustee in 30 issues and presently its portfolio under Trusteeship is well over Rs.9680 crore.

**3. Securitisation Trusteeship**

WITECO has also identified Securitisation Trusteeship as thrust area and thereby concentrating on this activity. Its present portfolio of Securitisation trustee is well over Rs.16851 crore in 70 issues.





**4. Venture Capital Trusteeship**

WITECO has started acting as Trustee for Venture Capital and as on date it is trustee for 5 funds with present portfolio of over Rs.2850 crore.

**5. Other Trusteeship (share warehousing trusteeship etc., Escrow Agency)**

It is a matter of pride for WITECO that, it was associated as Escrow Agent for the recent ADS Issue of the ICICI Bank Limited. Present portfolio of such other trusteeship & agency is over Rs.123 crore in 4 issues.

Brief Financials

(Rs. in crore)

<b>For the Year/Period ended</b>	<b>31.03.2003</b>	<b>31.03.2004</b>	<b>31.03. 2005</b>	<b>30.09.2005</b>
Total Income	4.39	4.87	5.35	2.41
Total Expenditure	0.73	1.50	1.69	0.67
Profit Before Tax (PBT)	3.66	3.36	3.66	1.74
Profit After Tax (PAT)	2.34	2.02	2.21	1.16
Share Capital	0.05	0.05	0.05	0.05
Reserves & Surplus *	3.65	5.64	8.06	9.24
Dividend (%)	50 %	50%	100%	N.A.
** Net Asset Value/Book Value per Share (Rs.)	781.63	1180.52	1665.69	1859.55
Earning Per Share (Rs.)	468.09	404.52	441.08	235.64

\* Excluding revaluation reserves and after deducting miscellaneous expenditure not written-off or adjusted)

\*\* Net Asset Value is calculated as Total Assets less deferred tax liability

WITECO is an unlisted company and therefore the details of its public issue such as year of issue, amount of the issue, stock market data of equity share, etc. is not applicable. Further, it is certified that there has been no change in the capital structure of WITECO in the last six months.



**RELATED PARTY TRANSACTIONS**

Details of related party transactions with the Subsidiary for the financial year ended March 31, 2005 :

(a) Particulars of Subsidiary/Joint Venture/Associate :	
<b>Name of the Related Party</b>	<b>Nature of Relationship</b>
The Western India Trustees & Executors Company Ltd.	Subsidiary Company
(b) Key Management personnel:	
Name of the Related Party	Name of Relative/Relation
Shri S. K. Marathe	Chairman & CEO
(c) Transactions with subsidiary :	
<b>Revenue :</b>	
i) Reimbursement of Salary and allowances of employees on deputation	Rs. 17,63,447.48
ii) Rent of premises	Rs. 6,00,270.00
iii) Other charges	Rs. 1,60,683.00
<b>Expenses:</b>	
i) Interest on deposits	Rs. 23,85,843.37
ii) Rent and other charges	Rs. 2,32,571.00
<b>Liabilities :</b>	
Deposits	Rs. 4,09,08,130.54
(d) Details of Transactions relating to persons referred to in item (b) above :	
Remuneration paid to :-	
Shri. S. K. Marathe (Chairman & CEO)	
<b>Remuneration</b>	<b>Rs. 8,25,000.00</b>
(Including PF Contribution)	
Perquisites	Rs. 1,17,134.00



**DIVIDEND POLICY OF THE BANK**

RBI circular no. DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 04, 2005 revised the guidelines on dividend payable by Banks as under :

Only those Banks, which comply with the following minimum prudential requirements, would be eligible to declare dividends without prior approval of RBI.

(i) The Bank should have :

- CRAR of atleast 9 per cent for preceding two completed years and the accounting year for which it proposes to declare dividend;
- Net NPA less than 7 per cent.

In case any bank does not meet the above CRAR norm, but is having a CRAR of atleast 9 per cent for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5 per cent.

(ii) The Bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949.

(iii) The Bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves and investment fluctuation reserve, etc.

(iv) The proposed dividend should be payable out of the current year's profit after deducting the extra-ordinary items of income.

(v) Reserve Bank should not have placed and explicit restrictions on the Bank for declaration of dividends.

As the Bank is regulated by Reserve Bank of India as any other Banking entity, the dividend policy of the Bank is in line with the guidelines issued by RBI from time to time in this regard.

The following are the dividend payouts on Equity Shares in last 5 years by the Bank :

Financial Year	Dividend	
	Rate (%)	Amount* (Rs. in crore)
2000-01	10	3.29
2001-02	15	4.48
2002-03	15	5.06
2003-04	05	1.69
2004-05	Not Recommended	Not Recommended

\* Including dividend distribution tax.



## FINANCIAL STATEMENTS

*Following financial statements of the Bank on standalone and consolidated basis have been audited by M/s. M. P. Chitale & Co., Chartered Accountants, erstwhile Central Statutory Auditors of the Bank. The shareholders of the Bank have now appointed M/s. Mukund M. Chitale & Co., Chartered Accountants, as the new Central Statutory Auditors. The reason for change in auditors is the completion of the term of office (4 years) of previous auditors, as per the RBI guidelines, presently in vogue.*

### STANDALONE FINANCIAL PERFORMANCE OF THE BANK

#### AUDITORS REPORT

**The Board of Directors,  
The United Western Bank Ltd.,  
172/4, Raviwar Peth, Shivaji Circle,  
Powai Naka,  
Satara – 415 001.**

Dear Sirs,

1. We have examined the financial information of The United Western Bank Ltd., (the Bank), (as set out in Annexure A to C attached to this report), stamped and initialed by us for identification, which has been prepared in line with Paragraph B (1) - Part II of Schedule II of the Companies Act, 1956 of India ('the Act') and amendments thereof and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as 'the SEBI Guidelines') issued by the Securities and Exchange Board of India (SEBI) on January 19, 2000 and the amendments thereto from time to time, to the extent they are not inconsistent with the Banking Regulation Act, 1949 (the Banking Regulation Act) and in accordance with our engagement letter dated August 26, 2005 as revised in terms of Letter dated December 10, 2005, setting out inter alia the scope of work relating to the Letter of Offer being issued by the Bank in connection with its proposed Rights Issue (hereinafter referred to as 'the Rights Issue').
2. Financial Information as per the audited financial statements
  - 2.1 We have examined the attached restated Statement of Assets and Liabilities of the Bank for the last five financial years ended March 31, 2005, which have been audited by the respective Auditors and also the Unaudited Statement of Assets and Liabilities of the Bank for half year ended September 30, 2005 approved by the Board of Directors on October 27, 2005 (Annexure A Part – II) and the related restated Statement of Profit and Loss for the last five financial years ended March 31, 2005, which have been audited by the respective Auditors and also the Unaudited Statement of Profit and Loss of the Bank for half year ended September 30, 2005 approved by the Board of Directors on October 27, 2005 (Annexure A Part – I) collectively hereinafter referred to as 'Summary Statements' together with Significant Accounting Policies and Notes to the Restated Financial Statements set out in Annexure B Part – I and Part – II respectively.

These Summary Statements have been extracted from the financial statements of the Bank for the respective periods all of which have been audited by us, except for the financial year ended March 31, 2001, which have been audited by other auditors. The accounts for the year ended March 31, 2005, have been approved by the Board of Directors and are yet to be adopted by the Members of the Company.
  - 2.2 Based on our examination of the aforesaid Summary Statements, we confirm that :
    - 2.2.1 there are no restatements which are required to be made in the Summary Statements with retrospective effect to reflect the significant accounting policies as adopted by the Bank, other than restatements referred to in Note A of Annexure B Part – III.
    - 2.2.2 there are no material adjustments relating to previous year, which need to be adjusted in Summary Statement in the period to which they relate.



2.3 In accordance with the aforesaid SEBI Guidelines, we also, attach herewith :

- (i) Details of Dividend (Annexure A Part – III)
- (ii) Details of Investment (Annexure A Part – IV)
- (iii) Statement of Financial Ratios (Annexure A Part – V)
- (iv) Capitalisation Statement (Annexure C Part – I)
- (v) Tax Shelter Statement (Annexure C Part – II)
- (vi) Principal Terms of Borrowing (Annexure C Part – III)

2.4 The Summary Statements do not take into account or make any adjustments for the events subsequent to audit report dated June 28, 2005 on the financial statements for the financial years ended upto March 31, 2005.

3. We have issued a report of even date on our examination of the restated Consolidated Statement of Assets and Liabilities of the Bank and its subsidiary as at March 31, 2005, March 31, 2004 and March 31, 2003 and related restated Consolidated Statement of Profits and Losses for the financial years ended March 31, 2005, March 31, 2004 and March 31, 2003 together with the notes thereon and attached thereto including the significant accounting policies.
4. In our opinion, the financial information of the Bank, as attached to this report, as mentioned in paragraph 2 above, after making groupings/adjustments have been prepared in line with Paragraph B (1) - Part II of Schedule II of the Act and the SEBI Guidelines.
5. This report is intended solely for your information and inclusion in the Letter of Offer in connection with the proposed Rights Issue of the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**M. P. Chitale & Co.**

Chartered Accountants

**Ulhas Chitale**

Partner

Membership No.: 32292

Place: Pune

Date : December 12, 2005



ANNEXURE A

Part – I: STATEMENT OF PROFIT AND LOSS

(Rs. in crore)

For the Year/Period ended	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
<b>I. INOCME</b>						
1 Interest Earned on						
1.1 Interest and discount on advances/bills	262.93	288.50	285.24	270.87	303.18	154.06
1.2 Income on investment	183.38	175.48	174.54	178.78	168.58	85.08
1.3 Interest on balances with RBI and other inter-bank	25.18	26.09	15.57	12.02	8.48	3.56
1.4 Others	4.10	2.33	1.79	1.06	6.38	0.10
2 Other Income						
2.1 Commission, Exchange and brokerage	33.05	30.49	27.98	27.42	28.18	15.06
2.2 Profit on exchange transactions (net)	6.07	8.08	8.04	8.56	10.36	5.01
2.3 Profit on sale of investments (net)	0.75	101.73	90.04	76.05	1.90	1.65
2.4 Profit on sale of Land, building & other assets (net)	—	0.07	0.14	—	(0.07)	-0.03
2.5 Income from Dividends	0.01	0.02	—	0.02	0.02	0.04
2.6 Profit/(Loss) on revaluation of Investments (Net)	(6.97)	(1.47)	—	—	—	-
2.7 Miscellaneous Income (net)	10.50	13.68	18.54	21.12	25.38	11.43
<b>Total Income</b>	<b>519.00</b>	<b>645.00</b>	<b>621.88</b>	<b>595.90</b>	<b>552.39</b>	<b>275.96</b>
<b>II. EXPENDITURE</b>						
1. Interest Expended						
1.1 On Deposits	339.95	368.07	337.78	321.14	322.20	159.61
1.2 On RBI/inter-bank borrowings	10.58	10.42	6.38	3.69	3.02	1.39
1.3 On Tier II Bonds	12.62	12.62	14.09	16.05	14.83	5.73
1.4 On Others	—	—	—	—	0.04	-
2. Operating Expenses						
2.1 Payments to and provisions for employees	62.81	66.74	85.87	75.71	75.90	42.10
2.2 Rent, taxes and lighting	6.77	6.67	7.68	8.88	11.16	6.50
2.3 Printing and stationery	2.12	2.17	2.21	1.99	2.11	1.02
2.4 Advertisement and publicity	0.64	0.62	0.60	1.50	1.26	0.32
2.5 Depreciation on Bank's property	8.08	10.33	10.90	14.35	14.52	6.98
2.6 Directors' Fees, allowances & expenses	0.09	0.08	0.10	0.13	0.25	0.12
2.7 Auditors' Fees & Expenses	0.35	0.44	0.57	0.58	0.62	0.35
2.8 Law charges	0.82	0.47	0.74	1.51	1.30	0.43
2.9 Postage, Telegrams, Telephones, etc	1.18	1.43	1.36	2.21	2.77	0.78
2.10 Repairs and Maintenance	0.96	1.05	1.04	2.45	4.08	3.13
2.11 Insurance	1.90	2.13	2.26	2.51	4.54	3.00
2.12 Other Expenditure	8.11	8.31	12.24	10.40	10.37	5.31
<b>Total Expenditure</b>	<b>456.98</b>	<b>491.55</b>	<b>483.82</b>	<b>463.10</b>	<b>468.97</b>	<b>236.77</b>
Gross Profit before Tax and extraordinary items	62.02	153.45	138.06	132.80	83.42	39.19
Less:						
Extra ordinary items	18.72	—	—	—	—	—
Gross Profit before provision for tax	43.30	153.45	138.06	132.80	83.42	39.19
Less :						
Provisions and contingencies	58.98	127.69	110.56	101.84	182.06	66.74



(Rs. in crore)

For the Year/Period ended	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
Net Profit / (Loss) for the year	(15.68)	25.76	27.50	30.96	(98.64)	-27.55
Add: Balance of Profit/(Loss) brought forward	—	6.00	6.69	1.73	0.06	
Write back of Dividend recommended for F.Y.2003-04 but not approved	—	—	—	—	3.37	
Less: Floating provision for NPA	—	—	5.00	—	—	
Add: Transfer from Revenue and other Reserve	25.00	—	—	—	—	
Prior Period Adjustment	—	—	—	—	—	
(Loss)/Profit Available for appropriation	9.32	31.76	29.19	32.69	(95.21)	
<b>APPROPRIATIONS</b>						
Transfer from Revenue and other Reserve	—	—	—	—	59.15	
Transfer to Statutory Reserves	—	6.45	6.90	7.80	—	
Transfer to Capital Reserves	0.03	0.14	—	0.02	—	
Transfer to Investment Fluctuation Reserve	—	14.00	15.50	19.75	—	
Transfer to Revenue and other Reserve	—	—	—	—	—	
Proposed dividend (Including Tax)	3.29	4.48	5.06	5.06	—	
Balance carried to Balance Sheet	6.00	6.69	1.73	0.06	(36.06)	

**Adjustments resulting from audit qualification, material amounts relating to adjustments for previous years and changes in accounting policies :**

(Rs. in crore)

For the Year/Period ended	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
Net profit/(Loss) as per Audited Accounts	(15.68)	25.76	27.50	30.96	(98.64)	(27.55)
Adjustment for						
Add/(Less):						
Accounting for initial contribution to Pension Fund	3.36	3.36	3.36	—	—	—
Gratuity Contribution	(2.62)	0.66	1.96	—	—	—
Pension Contribution	(2.56)	0.64	1.92	—	—	—
Leave Encashment	(1.47)	(2.22)	—	—	—	—
Floating Provision	—	—	(5.00)	—	—	—
Investment valuation	—	—	1.50	—	—	—
Adjusted Profit/(Loss) after excluding extraordinary items	(18.97)	28.20	31.24	—	—	—
Impact on						
Reserves & Surplus	(3.29)	2.44	3.74	—	—	—
<b>Total</b>	<b>(3.29)</b>	<b>2.44</b>	<b>3.74</b>	<b>—</b>	<b>—</b>	<b>—</b>
Increase/(Decrease) in Assets/Liabilities (cumulative)						
Nature of Adjustments						
Assets	(1.82)	4.66	3.74	—	—	—
Total increase/(decrease) in Assets	(1.82)	4.66	3.74	—	—	—
Liabilities	1.47	2.22	—	—	—	—
Reserve & Surplus	(3.29)	2.44	3.74	—	—	—
Total increase (Decrease) in Liabilities	(1.82)	4.66	3.74	—	—	—

Note : As regards qualification regarding an overdraft facility in the Audit Report dated June 28, 2005, there is no impact on the above results and the balance outstanding as on March 31, 2005 has been subsequently recovered.



ANNEXURE A

Part – II : STATEMENT OF ASSETS AND LIABILITIES

(Rs. in crore)

As on		31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
<b>A</b>	<b>ASSETS</b>						
1	Cash in hand	53.29	51.38	62.88	77.14	58.40	64.99
2	Balances with RBI	348.90	182.21	279.34	280.04	315.42	257.13
3	Balances with Banks	—					
	In India	481.90	201.19	209.51	263.02	232.30	53.87
	Outside India	33.22	36.97	15.68	20.44	4.77	12.07
4	Money at Call & Short Notice	—	—	25.08	—	—	-
5	Investments in India	1719.42	1678.13	1915.06	2413.12	2102.35	2339.65
	Investments outside India	—	—	—	—	—	-
	Total Investments	1719.42	1678.13	1915.06	2413.12	2102.35	2339.65
6	Advances in India	2740.06	2657.68	3145.45	3744.47	3976.28	3396.24
	Advances outside India	—	—	—	—	—	-
	Total Advances	2740.06	2657.68	3145.45	3744.47	3976.28	3396.24
7	Fixed Assets (Net of Revaluation Reserve)	82.78	83.35	88.10	91.87	85.80	81.56
8	Other Assets	253.45	218.70	206.58	226.17	286.06	265.65
	<b>Total (A)</b>	<b>5713.02</b>	<b>5109.61</b>	<b>5947.68</b>	<b>7116.27</b>	<b>7061.38</b>	<b>6471.06</b>
<b>B</b>	<b>LIABILITIES</b>						
1	Demand Deposits						
	From Banks	45.33	21.77	40.21	38.07	24.86	43.35
	From Others	559.98	436.59	453.11	813.11	867.50	835.05
2	Savings Deposits	648.39	733.52	877.67	1068.30	1184.38	1257.38
3	Term Deposits						
	From Banks	839.34	206.38	567.45	834.70	632.50	423.27
	From Others	3128.18	3092.78	3452.65	3676.01	3743.63	3397.16
	Total Deposits (1+2+3)	5221.22	4491.04	5391.09	6430.19	6452.87	5956.21
4	Borrowings						
	In India	96.46	197.78	47.04	40.12	33.51	34.49
	Outside India	—	—	4.70	19.91	4.38	5.28
	Total Borrowings	96.46	197.78	51.74	60.03	37.89	39.77
5	Other Liabilities & Provisions	97.65	101.83	128.65	168.95	214.23	138.69
6	Subordinated Debts	90.00	90.00	121.20	176.20	134.70	114.70
	<b>Total (B)</b>	<b>5505.33</b>	<b>4880.65</b>	<b>5692.68</b>	<b>6835.37</b>	<b>6839.69</b>	<b>6249.37</b>
<b>C</b>	<b>NET ASSETS (C = A - B)</b>	<b>207.69</b>	<b>228.96</b>	<b>255.00</b>	<b>280.90</b>	<b>221.69</b>	<b>221.69</b>
	Represented by:						
<b>D</b>	<b>Share Capital</b>	<b>29.89</b>	<b>29.89</b>	<b>29.89</b>	<b>29.89</b>	<b>29.89</b>	<b>29.89</b>
<b>E</b>	<b>Reserve &amp; Surplus</b>						
1	Statutory Reserve	65.98	72.42	79.33	87.13	87.13	87.13
2	Capital Reserve	0.03	0.17	0.17	0.19	0.19	0.19
3	Investment Fluctuation Reserve	—	14.00	29.50	49.25	49.25	49.25
4	Revenue and other Reserve	105.79	105.79	114.38	114.38	55.23	55.23
5	Balance of Profit and Loss Account	6.00	6.69	1.73	0.06	—	-
	<b>Total (E)</b>	<b>177.80</b>	<b>199.07</b>	<b>225.11</b>	<b>251.01</b>	<b>191.80</b>	<b>191.80</b>
<b>F</b>	<b>Total (D+E)</b>	<b>207.69</b>	<b>228.96</b>	<b>255.00</b>	<b>280.90</b>	<b>221.69</b>	<b>221.69</b>





(Rs. in crore)

Financial year		31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
<b>G. CONTINGENT LIABILITIES</b>							
1)	Claims against the Bank not acknowledged as debt	18.43	36.95	29.49	13.52	13.53	13.53
2)	Disputed Income Tax demand under Appeal/references etc.	39.21	27.78	27.78	37.42	34.37	34.37
3)	Liability for partly paid Investment	0.10	0.10	—	—	—	—
4)	Liability on account of outstanding forward Exchange contracts	220.47	277.56	211.65	227.24	217.69	155.54
5)	Guarantees given on behalf of constituents (Net of Margin)	356.07	394.00	411.04	396.26	325.74	303.41
6)	Acceptances, endorsements and other Obligations (Net of Margin)	175.65	142.41	173.91	143.20	132.99	120.98
7)	Other items for which the Bank is contingently liable	—	—	—	—	—	—
	<b>Total (Net)</b>	<b>809.93</b>	<b>878.80</b>	<b>853.87</b>	<b>817.64</b>	<b>724.32</b>	<b>627.83</b>
	BILLS FOR COLLECTION	600.97	563.49	343.59	740.85	802.01	592.60

**Details of Disputed Income Tax Liability as on March 31, 2005**

S. No.	Particulars	Amount (Rs. in crore)
1)	Appeals pending before Mumbai High Court	0.89
2)	Appeals pending before ITAT Pune	14.08
3)	Appeals pending before CIT (Appeals II), Pune	19.40
	<b>Total</b>	<b>34.37</b>

**Major issues disputed in appeals are :**

S. No.	Particulars	Amount (Rs. in crore)
1)	Claim of Bad Debts	8.03
2)	Disallowance made u/s. 14A	17.51
3)	Loss on ESOP scheme	2.94
4)	Other issues	5.89
	<b>Total</b>	<b>34.37</b>

**Notes :**

- Bank has made entire payment of Income Tax Demand raised before filing appeals with respective Appellate Authorities.
- No Contingent liability is recognised for appeals filed by Income Tax Department against judgments in favour of the Bank.

**ANNEXURE A**

**Part – III: DETAILS OF DIVIDEND**

(Rs in crore)

For the Year ended	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
Dividend Paid (%)	10%	15%	15%	5%	—
No of Equity Shares of Rs.10/- each	2,98,87,722	2,98,87,722	2,98,87,722	2,98,87,722	2,98,87,722
a) Amount of Dividend paid	2.99	4.48	4.48	1.49	—
b) Dividend Tax paid	0.30	—	0.58	0.20	—
c) Amount of total Dividend paid (a+b)	3.29	4.48	5.06	1.69	—



**ANNEXURE A**

**Part – IV: DETAILS OF INVESTMENT (Rs in crore)**

(Rs in crore)

For the Year ended	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
For the Year ended	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
SLR Investment	1223.56	1166.66	1427.80	1971.48	1635.41
Non SLR Investment	495.86	511.47	487.26	441.64	466.94
<b>Total Investment</b>	<b>1719.42</b>	<b>1678.13</b>	<b>1915.06</b>	<b>2413.12</b>	<b>2102.35</b>

**ANNEXURE A**

**Part – V: FINANCIAL RATIOS**

(Rs in crore)

For the Year ended	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.09.2005
Basic Earning Per Share (Rs)	(5.25)	8.62	9.20	10.36	(33.00)	(9.22)
Net Asset Value per share (Rs)	69.49	76.61	73.93	77.83	43.75	34.53
Return on Net Worth (%)	(7.55%)	11.25%	12.45%	13.31%	(75.44%)	(26.69%)

**ANNEXURE B**

**Part – I: SIGNIFICANT ACCOUNTING POLICIES :**

**1. Accounting Conventions**

- (a) The financial statements are prepared on the historical cost basis except accounting for premises including land, which were revalued. The statements conform to the statutory provisions and practices prevailing within the Banking industry in India.
- (b) Revenue and expenses are accounted for on accrual basis unless stated otherwise.
- (c) Legal expenses incurred for suit filed accounts are charged to Profit and Loss Account as per RBI guidelines. Upon recovery towards legal expenses from the borrower the amount is credited to the Profit and Loss Account.

**2. Investments**

1. In accordance with the Reserve Bank of India guidelines, investments are categorised as 'Held for Trading', 'Available for Sale' and 'Held to Maturity' (hereinafter called 'Categories') and disclosed in the Balance Sheet under the following classifications :
  - i. Government Securities
  - ii. Other Approved Securities
  - iii. Shares
  - iv. Debentures and Bonds
  - v. Investments in Subsidiaries / joint ventures
  - vi. Other Investments
2. Cost of investments is based on acquisition price. Brokerage, commission, etc. paid at the time of acquisition is charged to revenue. Broken period interest on debt instruments is treated as a revenue item.



**3. Shifting of Security between categories :**

The shifting of securities between categories of investments is accounted for at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such shifting is fully provided for.

**4. Basis of Categorisation and Valuation :**

An investment is categorised as Held for Trading, Available for Sale and Held to Maturity initially at the time of its acquisition. The valuation of investments is made in accordance with the guidelines of the Reserve Bank of India. Overdue non-performing investments are not shown as investment but are classified as other assets (net of provisions).

♦ **Held for Trading :**

Investments categorised as 'Held for Trading' are revalued at the market price or fair value at monthly intervals and aggregated in each classification. Net depreciation in any classification is provided in the profit and loss account whereas net appreciation in any classification is ignored as per the directions of the Reserve Bank of India.

♦ **Held to Maturity :**

Investments categorised as 'Held to Maturity' are carried at acquisition price. Any premium on acquisition is amortised over the balance period to maturity as per the directions of the Reserve Bank of India.

♦ **Available for Sale :**

Investments categorised as 'Available for Sale' are revalued quarterly and aggregated in each classification. Net depreciation in any classification is provided in the profit and loss account, whereas net appreciation in any classification is ignored as per the directions of the Reserve Bank of India.

**3. Advances**

(a) Advances are stated net of i) provisions (including floating provision) for non-performing assets (NPA), ii) guarantee claims and subsidy deposits.

(b) General provision made against standard assets is included in 'Other Liabilities' in the Balance Sheet.

(c) Classification of advances as performing i.e. 'Standard' and Non-performing i.e. 'Substandard', 'Doubtful' or 'Loss' Assets and provisions for NPA are made in accordance with prudential norms prescribed by the Reserve Bank of India.

**4. Fixed Assets**

(a) Premises and Other Assets are stated at cost unless revalued.

(b) Depreciation :

i. On computer system on straight-line method, at the rate and in the manner prescribed by the Reserve Bank of India.

ii. On the assets other than computer systems :

(A) acquired upto 31<sup>st</sup> March 1996, on written down value method, at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

(B) acquired on or after 1<sup>st</sup> April 1996, on straight-line method, at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

(c) In respect of revalued assets amount equal to additional depreciation on revalued portion consequent on revaluation is transferred annually from Revaluation Reserve to Profit and Loss Account.

Upon disposal of a previously revalued item of fixed asset, the difference between net disposal proceeds and the net book value is charged or credited to the profit and loss account except that, to the extent such loss is



related to an increase which was previously recorded as credit to Revaluation Reserve and which has not been subsequently reversed or utilised, it is charged directly to that account. Further the amount standing in Revaluation Reserve following the disposal of an asset, which relates to that asset is transferred to Capital Reserve Account.

(d) Cost of leasehold premises is amortised over the primary lease period while the improvements to rental premises are depreciated at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

(e) Assets given on Lease

- i. In terms of guidance note on accounting for Leases (Revised) issued by the Institute of Chartered Accountants of India, in case of assets leased prior to 31<sup>st</sup> March 2001 under finance leases, a matching annual charge is debited to Profit and Loss Account by way of
  - a. Minimum statutory depreciation as per the Companies Act, 1956 and
  - b. Lease equalization charge. Lease income is recognised on realisation.
- ii. Depreciation on assets given on lease is provided on straight-line method, at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
- iii. Lease equalisation charge being excess of recovery of investment over accumulated depreciation is also deducted from gross value of leased assets.

## **5. Transactions involving Foreign Exchange**

Profit or loss on pending forward contracts is accounted for as per FEDAI guidelines.

All foreign currency Assets and Liabilities including Forward Contracts and non- funded exposures have been revalued and marked to market as on Balance Sheet date.

## **6. Revenue Recognition**

- (a) Interest on advances is accounted for on accrual basis. In case of non-performing assets, interest is considered as accrued when realised.
- (b) Commission, exchange, brokerage and locker rent are normally recognized on accrual basis.
- (c) Interest on Government Securities and other fixed income securities is recognised on accrual basis. Interest on investments, which are classified as Non Performing Assets in accordance with the guidelines of the Reserve Bank of India, is recognised upon realisation.

## **7. Retirement Benefits**

- (a) Contribution to pension and gratuity funds is made on the basis of actuarial valuation.
- (b) Leave encashment liability is provided for on the basis of actuarial valuation.
- (c) Bank's contribution paid / payable during the year to Provident Fund is charged to the profit & loss account.

## **8. Income-tax**

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year in accordance with Accounting Standard - 22 issued by the Institute of Chartered Accountants of India. Current tax provision for income Tax is based on assessable profits of the Bank as determined under the Income Tax Act, 1961.

Timing differences between taxable income and accounting income resulting into deferred tax asset and liabilities are recognised using tax rates and law enacted or substantially enacted by the balance sheet date. Deferred tax asset is recognised to the extent its realisation is certain and reviewed on yearly basis.

## **9. Segment Reporting (Basis of preparation)**

In accordance with the Accounting Standard 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India, the Bank has identified segments as per the RBI direction.



The Bank has mainly domestic operations; as such there are no geographical segments. Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segment as also amounts allocated on a reasonable basis.

The expenses, which are not directly attributable to the business segment, are shown as unallocated cost. Assets and Liabilities that cannot be allocated between the segments are shown as unallocated Banking assets and liabilities respectively.

#### **10. Earning per share (EPS)**

Earning per share has been computed and reported in accordance with Accounting Standard - 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India. Basic earnings per equity share are reported by dividing net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and diluted potential equity shares outstanding during the period.

#### **11. Net Profit /(Loss)**

The net profit/(Loss) in the Profit and Loss Account is after provision for depreciation in the value of investment, provision for taxation (including Deferred Tax) and other necessary provisions.

### **ANNEXURE B**

#### **Part – II: NOTES TO ACCOUNTS :**

##### **1. Capital:**

Proposal for Issue of Bonus Shares in the ratio of 1:5 by capitalising Rs.5.98 crore out of Share Premium Account as approved at the Extraordinary General Meeting held on 7<sup>th</sup> August, 2000 and proposal for offering Rights Shares in the ratio of 1:2 (post Bonus) at a price per share of Rs.20/- (includes Rs.10/- premium) as approved by Board of Directors at its meeting held on 8<sup>th</sup> August, 2000 are pending implementation in view of status-quo ordered by Hon'ble Mumbai High Court. Accordingly, the amount of Rs. 5.98 crore has been earmarked for this Bonus Issue.

##### **2. Reserves and Surplus**

###### **Investment Fluctuation Reserve :**

Reserve Bank of India (RBI) has issued guidelines emphasising the need to appropriate a minimum of 5 per cent of the Investment portfolio (except Investment classified as Held Till Maturity) to an Investment Fluctuation Reserve over a period of five years (i.e. upto March 31, 2006). At present the balance in IFR is Rs.49.25 crore which works to 3.97 per cent of eligible investments.

##### **3. Other Liabilities and Provisions**

###### **(a) Tier II Bonds :**

Subordinated Debt Bonds represent Unsecured Non-Convertible Subordinated Bonds. This debt is subordinated to claims of all other creditors and also depositors of the Bank as regards payment of interest and repayment of principal. During the year 04-05 the Bank has repaid on redemption date subordinated bonds of Rs.41.50 crore which includes Rs. 15 crore payable to Industrial Investment Bank Ltd. and adjusted against amount due from them. (against redemption of Preference Shares of Industrial Investment Bank Ltd. in which the Bank had invested) Balance as at March 31, 2005 is Rs. 134.70 crore. Based on the balance term to maturity as at March 31, 2005, Rs. 73.58 crore (previous year Rs. 89.52 crore) out of the balance debt is considered as Tier II Capital for the purpose of computation of Capital Adequacy Ratio.

###### **(b) Provision Against Standard Assets :**

'Others' in 'Other Liabilities' includes general loan loss provision against Standard Assets of Rs.9.37 crore (previous year Rs.8.55 crore), which amounts to 0.25 per cent (Previous year 0.25 per cent) of Standard Assets, as per minimum stipulation prescribed by the Reserve Bank of India.



**(c) Inter Office Reconciliation :**

Reconciliation of Inter branch adjustments (Net) as of 31<sup>st</sup> March 2005 is completed and follow-up and adjustment of pending items therein is in progress.

Segregation of debit and credit entries in Inter Branch Account pertaining to the period upto September 30, 2004 and remaining outstanding as on March 31, 2005 has been done in accordance with directive of Reserve Bank of India. The resultant figure is net credit. Hence no provision is considered necessary. In the opinion of the Bank, consequential effect of the above on the revenue/ assets/ liabilities is not material.

**(d)** 'Others' in Other Liabilities includes sum of Rs. 20.65 crore being the estimated arrears of salary payable to the employees. The earlier agreement had come to an end on October 2002. Negotiations with the respective trade unions have been in progress since then.

**4. Investments**

(a) Other Investments includes Indira Vikas Patra, Kisan Vikas Patra, Units of UTI, NABARD-RIDF etc.

(b) As permitted by Reserve Bank of India the Bank has shifted certain SLR securities from AFS category to HTM category. As mandated by RBI such transfer has been affected at the lower of acquisition cost/ book value/market value on the date of such transfer. The book value of Rs. Rs.619.65 crore of respective securities so transferred from AFS category has been brought down to the market value of Rs.577.02 crore by changing carrying value of each security on the date of such transfer to HTM category. Resultant depreciation of Rs.42.63 crore has been fully charged to Profit and Loss Account.

**5. Fixed Assets**

**(a) Premises :**

(i) Premises include freehold as well as leasehold land.

(ii) Cost of premises includes Rs. 7.64 crore (previous year Rs.9.78 crore) in respect of properties for which certain documents of title are pending execution and registration.

**(iii) Revaluation :**

Certain land and buildings have been revalued on 31<sup>st</sup> March 1993 and on 31<sup>st</sup> March 2001 resulting in net increase of Rs. 12.93 crore and Rs. 16.78 crore respectively, which was credited to Revaluation Reserve. Depreciation in respect of such properties has been computed on their enhanced value. Proportionate depreciation on revaluation amounting to Rs.0.81 crore (previous year Rs. 0.85 crore) has been transferred to Profit and Loss Account from the Revaluation Reserve.

(b) In accordance with AS-26 regarding "Intangible Assets" issued by The Institute of Chartered Accountants of India (ICAI), Core Banking software acquired on or after April 1,2003 is amortised/depreciated over a period of three years on pro-rata basis on straight line method as per guidelines of Reserve Bank of India. During the year 2004-05 software of the value of Rs. 1.17 crore (previous year Rs.4.82 crore was acquired and the amount of amortisation/depreciation is Rs.0.31 crore (previous year Rs.0.97 crore).

**6. Other Assets :**

'Others' in Other Assets includes Rs.4.51 crore as interest receivable from Oriental Bank of Commerce (OBC) towards the Bank's share in the deposit kept with the Mumbai High Court. Consequent upon the decision in the matter, OBC has quantified and confirmed the amount of interest due to the Bank.

**7. Income :**

**(a) Commission, Exchange and Brokerage :**

Commission, Exchange and Brokerage includes lease rental (net of equalisation charge) and is also net of correspondent Bank charges and brokerage paid on purchase and sale of investments.

**(b) Income from investments**

Includes dividend received during the year on units and shares amounting to Rs.0.29 crore (Previous year Rs. 8.45 crore).



**8. Expenses :**

**(a) Retirement Benefits :**

During the year the Bank has provided for the following expenditure on retirement benefits payable to its employees.

- (i) Pension Rs. 7.82 crore (previous year Rs.11.02 crore)
- (ii) Gratuity Rs. 1.79 crore (previous year Rs.1.91 crore)
- (iii) Leave encashment Rs. 4.07 crore (previous year Rs.2.32 crore)
- (iv) Provident fund Rs. 1.02 crore (previous year Rs.1.02 crore)

**(b) Income Tax :**

- (i) Following the directives issued by the Reserve Bank of India, the Bank has recognised deferred tax assets and liabilities in accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.
- (ii) The income tax expense comprises the following :

(Rs. in crore)

	2004-05	2003-04
Current income tax expenses	1.60	15.22
Deferred income tax expenses/(benefit)	(6.58)	(14.26)
Income Tax Expense	(4.98)	0.96

- (iii) The major heads of deferred tax assets and liabilities are as under :

(Rs. in crore)

		2004-05		2003-04
<b>Deferred Tax Assets :</b>				
Provision for Non Performing advances	39.38		39.38	
Provision for Non Performing investments	4.01		3.88	
Staff Costs	6.52		5.80	
Others	13.14	63.06	8.05	57.11
<b>Less: Deferred Tax Liabilities:</b>				
Depreciation on Fixed assets	8.18	8.18	8.81	8.81
<b>Deferred Tax Asset</b>		<b>54.88</b>		<b>48.30</b>

- (iv) During the year the Income Tax Department has levied penalty of Rs.2.39 crore against which the Bank has made an Appeal. Pending decision in appeal, the Bank has made provision for the same.
- (v) No provision is considered necessary towards disputed demands of Income tax aggregating to Rs. 34.37 crore (previous year Rs.37.42 crore) in view of expected favorable judgments of appellate authorities.

**(c) Provisions and Contingencies include provisions for-**

(Rs. in crore)

		2004-05	2003-04
a.	Non Performing Assets	66.05	57.76
b.	Depreciation on Investments & Amortization of premium in H.T.M. category	68.13	10.02
c.	Income Tax, Wealth Tax	7.48	30.50
d.	Deferred Tax assets (net)	(6.58)	(14.26)
e.	Provision for Wage Arrears	20.65	—
f.	Others	26.33	17.82
	<b>Total</b>	<b>182.06</b>	<b>101.84</b>



**9. Related Parties Disclosures :**

(a) Particulars of Subsidiary/Joint Venture/Associate.

Name of the Related Party	Nature of Relationship
(i) The Western India Trustees & Executors Company Ltd.	Subsidiary Company

(b) Key Management personnel :

Name of the Related Party	Name of Relative/Relation
Shri S. K. Marathe	(Chairman & CEO)

(c) Transactions with subsidiary:

**Revenue:**

i) Reimbursement of Salary and allowances of employees on deputation	Rs. 17,63,447.48
ii) Rent of premises	Rs. 6,00,270.00
iii) Other charges	Rs. 1,60,683.00

**Expenses :**

i) Interest on deposits	Rs. 23,85,843.37
ii) Rent and other charges	Rs. 2,32,571.00

**Liabilities:**

Deposits	Rs. 4,09,08,130.54
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(d) Details of Transactions relating to persons referred to in item (b) above:

**Remuneration paid to-**

i) Shri. S. K. Marathe (Chairman & CEO)	
Remuneration	Rs. 8,25,000/- (including PF contribution)
Perquisites	Rs. 1,17,134/-

**10. Additional Disclosures**

In terms of RBI instructions, following additional disclosures are made by the management. Information regarding maturity pattern of assets and liabilities (refer items 10 (c) below) and exposure to sensitive sectors (refer items 10(d) (below) has been relied upon by the auditors.

**(a) Capital Adequacy Ratio :**

The Capital to Risk Weighted Assets Ratio (CRAR) as assessed by the Bank in accordance with the guidelines of the RBI is 4.86 per cent (Previous Year 10.13 per cent),

- i) Capital Adequacy Ratio - Tier I Capital 2.43 per cent (Previous Year 5.33 per cent),
- ii) Capital Adequacy Ratio - Tier II Capital 2.43 per cent (Previous Year 4.80 per cent)

**(b) Business ratios/information :**

	2004-05	2003-04
Interest income as a % of working funds (1)	6.99%	7.55%
Net interest income as a % of working funds	2.11%	1.99%
Non-interest income as a % of working funds	0.94%	2.17%
Operating profit (2) as a % of working funds	1.20%	2.17%
Return on assets	(-) 1.40%	0.43%
Business (3) per employee (Rs. lacs)	309.00	290.00
Profit per employee (Rs. lacs) (4)	(-) 3.12	0.96
Percentage of net Non Performing Assets (5) to customer assets (6)	5.79%	8.82%
Percentage of net Non performing Assets to net advances (7)	5.83%	8.95%

**Definitions :**

1. Working funds is the monthly average of total assets during the year.
2. Operating profit = (Interest income + other income - interest expense - operating expense)





3. Business is the total of net advances and deposits.
4. Productivity ratios are based on aggregate number of employees at the year-end.
5. Net NPAs are non-performing assets net of interest in suspense and specific provisions.
6. Customer assets include gross advances (but net of specific provisions), credit substitutes like debentures, commercial paper and unamortised cost of assets leased
7. Net advances are net of bills rediscounted and specific loan loss provision.

**(c) Maturity Pattern of Assets and Liabilities :**

(Rs. in lacs)

Maturity Pattern	Loans & Advances	Investment Securities	Deposits	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1-14 Days	106422	9102	51009	438	591	1068
15-28 Days	9136	13204	21402	—	214	481
29 days to 3 months	65804	21532	74407	75	1461	918
Over 3 months to 6 months	13091	9607	40695	305	2213	350
Over 6 months to 12 months	10733	15704	60103	420	1750	3228
Over 1 year to 3 years	135171	75740	309651	1530	—	184
Over 3 years to 5 years	19432	27655	52770	742	—	—
Over 5 years	37839	37691	35251	279	—	—
<b>Total</b>	<b>397628</b>	<b>210235</b>	<b>645288</b>	<b>3789</b>	<b>6229</b>	<b>6229</b>

**Notes :**

- ♦ Assets and liabilities are classified as per the guidelines issued by the Reserve Bank of India.
- ♦ Advances are net of bills rediscounted.
- ♦ Investments are net of reverse repurchase options.
- ♦ Foreign currency assets do not include those assets that have been swapped out of the rupee funds and hence these are placed in the domestic currency maturity profile.

**(d) Exposure to Sensitive Sectors :**

(Rs. in crore)

	31.03.2005	31.03.2004
Capital Market Sector*	42.06	61.90
Real Estate Sector	55.89	44.83
Commodities sector	117.95	117.53
<b>Total</b>	<b>215.90</b>	<b>224.26</b>

\* These amounts represent lending to customers in those sectors or against collateral directly linked to that sector.

**(e) Financing of equities and investments in shares :**

(Rs. in crore)

	31.03.2005	31.03.2004
Equity shares	32.06	31.90
Convertible bonds and debentures	NIL	NIL
Preference shares	15.27	30.27
Equity linked units	10.00	30.00
<b>Total</b>	<b>57.33</b>	<b>92.17</b>

**Note:** Values stated in above table are Gross Values before depreciation.



(f) Movements in Non-Performing Assets :

(Rs. in crore)

	2004-05	2003-04
As at 1 April	516.34	447.71
Additions during the year	82.48	183.30
Deductions during the year	148.62	114.67
As at 31 March	450.20	516.34
Provisions		
As at 1 April	176.36	144.35
Additions during the year	71.39	59.67
Deductions during the year	35.09	27.66
As at 31 March	212.66	176.36
Net NPAs as at 31 March	232.09	335.34

(g) Movement of net provision in depreciation on investments :  
(including overdue matured Investments)

(Rs. in lacs)

As at 1 April, 2004	898.24
Add: Provisions made during the year	1352.20
Less: Write-off, write back of excess provision during the year	NIL
As at 31 March, 2005	2250.44

(h) Investments in India :

(Rs. in crore)

Year Ended	31.03.2005	31.03.2004
Gross Investment	2137.79	2431.17
Less: Provision for Depreciation/NPA/Amortisation	35.44	18.05
Net Investment *	2102.35	2413.12

\* Includes Government Securities pledged to Clearing Corporation of India Rs.3.58 crore (F. V. Rs.2.70 crore) and State Bank of India Rs.1.25 crore (F.V. Rs.1.50 crore).

(i) Non Performing Non SLR Investments :

(Rs in crore)

Particulars	Held under Investments	Held under Other Assets
Opening Balance	5.00	14.16
Additions during the year since 1 <sup>st</sup> April	0.00	0.00
Reductions during the above period	2.00	0.99
Closing Balance	3.00	13.17
Total Provisions held	1.60	10.32

(j) Issuer composition of Non SLR Investment :

(Rs. in crore)

S. No.	Issuer	Amount	Extent of private placement	Extent of below placement grade Securities	Extent of unrated Securities	Extent of unlisted Securities
1	PSUs	267.90	257.44	5.00	43.96	116.70
2	FIs	122.64	117.02	0.00	87.64	82.64
3	Banks	24.01	24.00	0.00	16.01	14.00
4	Private Corporates	35.05	34.06	2.00	15.04	16.64
5	Subsidiaries/Joint Ventures	0.08	0.00	0.00	0.08	0.08
6	Others	26.00	26.00	15.00	3.50	24.00
	Gross Investment	475.68	458.52	22.00	166.23	254.06
7	Less:					
	Provision held towards depreciation /NPA	8.73	0.00	0.00	0.00	0.00
	<b>Total</b>	<b>466.95</b>	<b>458.52</b>	<b>22.00</b>	<b>166.23</b>	<b>254.06</b>



<b>(k) Details of accounts restructured/rescheduled during the year :</b>	<b>(Rs. in crore)</b>
1. Total amount of loan assets subject to restructuring :-	
Fund Based -	Rs. 145.47
Non-fund based -	Rs. 13.40
a) Total amount of Standard Assets subjected to restructuring	
Fund Based -	Rs. 61.09
Non-fund based -	Rs. 2.38
b) Total amount of Sub-Standard Assets subjected to restructuring	
Fund Based -	Rs. 10.95
Non-fund based -	Rs. 4.39
c) Total amount of Doubtful Assets subjected to restructuring	
Fund Based -	NIL
Non-fund based -	NIL
d) Total amount of Loan Assets subjected to restructuring under CDR	
Fund Based -	Rs. 73.43
Non-fund based -	Rs. 6.63
e) The amount of sub-standard assets subjected to CDR-	NIL
f) The amount of doubtful assets subjected to CDR-	NIL

#### 11. Basic EPS and Diluted EPS

Basic Earning per share is (-) Rs.33 (previous year Rs. 10.36), which is calculated using Net Profit/(Loss) for the year (after provision for taxation) and the average no. of equity shares outstanding during the year.

	<b>2004-2005</b>	<b>2003-2004</b>
Reconciliation between basic and diluted earnings per equity share:		
Nominal value per share (Rs.)	10.00	10.00
Basic earnings per share (Rs.)	(-) 33.00	10.36
Effect of potential bonus equity shares Per share (Rs.)	(+) 5.50	1.73
Diluted earnings per share (Rs.)	(-) 27.50	8.63

Basic earning per share has been computed by dividing net profit for the year by weighted average number of equity shares outstanding during the period.

Diluted earning per share has been computed by dividing net profit for the year by weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

**The following is the reconciliation of the earnings used in the computation of basic and diluted earnings per share :**

	<b>2004-2005</b>	<b>2003-2004</b>
Earnings used in Basic earnings per share (Rs.'000)	(-) 98,63,97	30,96,24
Impact on profit of potential bonus issue (Rs.'000)	NIL	NIL
Earnings used in diluted earnings per share (Rs.'000)	(-) 98,63,97	30,96,24

**Reconciliation of weighted average number of equity shares used as denominator in computing basic and diluted earnings per share:**

	<b>2004-2005</b>	<b>2003-2004</b>
Weighted average number of equity shares used as denominator in computing Basic EPS	2,98,87,722	2,98,87,722
Effect of potential issue of Bonus shares	59,77,545	59,77,545
Weighted average number of equity shares used as denominator in computing diluted EPS	3,58,65,267	3,58,65,267



## 12. Segment Reporting

(Rs. in crore)

Business Segments	Treasury		Other Banking Operations		Total	
	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
Particulars						
Revenue	184.87	275.44	367.50	320.46	552.37	595.90
Result	27.66	105.56	70.02	41.18	97.68	146.74
Unallocated Expense (including provisions)					195.42	99.56
Profit before tax					(97.74)	47.18
Income Taxes					0.90	16.22
Extraordinary Profit/						
Loss				0.00	0.00	
Net Profit					(98.64)	30.96
<b>Other Information</b>						
Segment Assets	2269.54	2608.12	4292.55	4027.43	6562.09	6635.55
Unallocated Assets					521.56	503.79
Total Assets					7083.65	7139.34
Segment liabilities	2583.85	2800.99	4041.62	3865.43	6625.47	6666.42
Unallocated Liabilities					458.18	472.92
Total Liabilities					7083.65	7139.34

### Notes:

- The Bank has recognised Business Segment as the Primary reporting Segment and no geographical segment is recognised in view of the fact that the Bank has only domestic operations. The Business Segments are identified as :
  - Treasury Operations (includes dealing in Government and other securities, Money Market Operations and Forex Operations in India)
  - Other Banking Operations- includes all other Banking operations other than treasury operations.

### 2. Basis of allocation to Treasury Segment:

Interest paid is allocated on the basis of average cost of average funds utilised by Treasury.

Employee cost is allocated in the ratio of average funds utilised to average deposits and borrowings.

Average cost of funds is the ratio of interest paid to average working funds deployed.

**Miscellaneous expenses are allocated on the basis of percentage of Segment Revenue.**

## 13. Cash Flow Statement

(Rs. in crore)

Particulars	31-03-2005	31-03-2004
<b>Cash Flow from Operating Activities</b>		
Net Profit /(Loss) as per P&L a/c	(98.64)	30.96
Adjustment for-		
Depreciation on Fixed Assets	14.53	14.35
Lease Equalisation Charge	0.82	1.20
Provisions & Contingencies	182.06	101.84
(Profit)/Loss on sale of Fixed Assets	0.06	0.00
Expenses/(Income) not related to Operating activities	14.83	17.32
Operating profit before working capital changes	<b>113.66</b>	<b>165.66</b>
Adjustment for-		
(Increase)/Decrease in Investments	242.85	(509.39)
(Increase)/Decrease in Advances	(322.95)	(674.87)
Increase/(Decrease) in Borrowings	(22.14)	8.29
Increase/(Decrease) in Deposits	22.68	1039.11
(Increase)/Decrease in Other Assets	(24.23)	(34.38)



(Rs. in crore)

Particulars	31-03-2005	31-03-2004
Increase/(Decrease) in Other Liabilities & Provisions	(12.77)	95.24
<b>Cash Flow from Operating Activities</b>	<b>(2.90)</b>	<b>89.66</b>
Purchase of Fixed Assets	(10.48)	(19.70)
Sale of Fixed Assets	0.15	0.57
Dividend from Subsidiary Company		
<b>Net Cash used in Investment activities</b>	<b>(10.33)</b>	<b>(19.13)</b>
<b>Cash Flow from Financing Activities</b>		
Interest on Subordinated Bonds	(14.83)	(17.32)
Dividend paid (including Tax)	(1.69)	(5.05)
Expenses for increase of Authorised Capital	0.00	0.00
<b>Net Cash generated from Financing activities</b>	<b>(16.52)</b>	<b>(22.37)</b>
Net Increase/(Decrease) in Cash & Cash equivalents	(29.75)	48.16
Cash & Cash equivalents at the beginning of the year	640.64	592.48
Cash & Cash equivalents at the end of the year	610.89	640.64

**Note :** Figures of previous year have been regrouped where necessary.

14. RBI vide its circular No. CAOD/BP.BC.100/21.01.002/2001-02 date May 9, 2002 advised Banks to reduce the period of an asset in sub-standard category from 18 months to 12 months w.e.f. March 31, 2005. Further RBI has permitted Banks to bear the burden of increase in provisioning, due to such change, in a phased manner over the period of 4 years (subject to a minimum 20 per cent in a year) upto March 31, 2008. Accordingly, the Bank has made minimum prescribed provision of Rs.3.63 crore during F.Y. 2004-05.

**15. Risk categories wise country exposure:**

The Bank does not have net funded exposure to any foreign country in excess of 1 per cent of its total assets as on March 31, 2005. Hence no provision has been made in respect of country risk.

**16. Comparative figures :**

Figures for the previous year have been regrouped/reclassified wherever considered necessary to conform with the current year's presentations.

**BASIS OF COMPILATION OF FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30.09.2005: -**

All the significant accounting policies of the Bank have been generally followed in compiling these accounts with the following exceptions :-

- a) Gratuity and pension benefits are provided as per actuarial valuation at the end of the year. For the half-year ended September 30, 2005 these have been provided on the basis of estimate.

**ANNEXURE B**

**Part – III :**

**A. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES FOR DURING THE CONSECUTIVE FIVE FINANCIAL YEARS ENDED MARCH 31, 2005**

1. During the five consecutive financial years ended 31st March'2005 and quarter ended 30<sup>th</sup> June 2005 various guidelines were issued by the Reserve Bank of India on Income Recognition, Assets Classification, Provisioning in respect of Standard Assets /Non-Performing Advances, Other Assets, Classification of Investments,



Valuation thereof, Treatment of Depreciation on Investments /Fixed / Leased Assets and amortisation of Voluntary Retirement Scheme expenditure. Necessary amendments in the accounting policies have been carried out by the Bank in the relevant years, to be in conformity with the Reserve Bank of India guidelines. Adjustment to Profit, Loss, Assets and Liabilities of the Bank for earlier years arising from the compliance with the aforesaid directives have not been carried out, as it is not practicable.

2. During the year 2000-01, the Bank decided to spread over additional Gratuity and Pension liability arisen out of revision in salary effected during the year w.e.f. 1998 over the period of five years. Accordingly, liability of Rs.5.20 crore, though fully paid was spread over remaining period of four years.
3. During the year 2002-2003, accrued liability for leave encashment amounting to Rs. 14.17 crore (inclusive of Rs. 11.53 crore relating to the period up to 31.03.2002 and charged to Revenue Reserve) has been provided based on actuarial valuation as against the 'pay as you go' basis hitherto followed, as a result, the profit is lower by Rs. 2.64 crore.
4. During the year 2002-2003, balance of Deferred Expenditures of Rs. 2.59 crore in respect of deferment of contribution to Gratuity and Pension fund has been charged to Profit and Loss Account as against the earlier policy of amortising it over the remaining period of 2 years, as a result, the profit for the year is lower by Rs. 2.59 crore.
5. During the year 2002-2003, the Bank accounted for Income Tax on the basis of income tax liability with adjustment for deferred tax assets and liabilities as per AS-22 issued by The Institute of Chartered Accountants of India. As a result, Provisions for tax was lower by Rs.13.93 Crore and Profit for the year and Revenue and Surplus were higher by Rs. 13.93 crore.
6. During the year 2002-03, the Bank has changed the method of determining cost for the purpose of valuation of investments held in Held For Trading (HFT) and Available For sale (AFS) categories from First-in-First-Out (FIFO) basis to weighted average basis. As a result of this change profit for the year and Investments are understated to the extent of Rs.1.50 crore.

**B. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

To the best of our information there have been no significant events occurring after June 30, 2005, which may have a material impact on the financial and/or operational condition of the Bank.

**ANNEXURE C**

**Part – I: CAPITALISATION STATEMENT**

**(Rs. in crore)**

	<b>Pre-issue as at 31.03.2005 (Audited)</b>	<b>Post issue</b>
<b>Borrowings</b>		
Short Term Debt	4.38	4.38
Long Term Debt	33.51	33.51
Total Debt	37.89	37.89
<b>Shareholders Fund</b>		
Share Capital		
- Equity	29.89	53.80
Less: Calls in arrears	—	
Share Premium	54.73	73.86
Reserves & Surplus (excluding revaluation reserves)	137.08	137.08
Less: Intangible Assets	54.88	54.88
Accumulated Loss	36.06	36.06
<b>Total Shareholders Funds</b>	<b>130.76</b>	<b>173.80</b>
Long Term Debt/Equity ratio (%)	25.63%	21.80%



ANNEXURE C

Part – II: STATEMENT OF TAXATION (TAX SHELTER)

(Rs. in crore)

Financial Year ended	31-03-2001	31-03-2002	31-03-2003	31-03-2004	31-03-2005	30-09-2005
Tax Rate	39.55%	35.70%	36.75%	35.8750%	36.5925%	33.66%
Profit as per Profit and Loss Account	(15.68)	25.76	27.50	30.96	(98.64)	(27.55)
Tax at actual rate on profit	(6.20)	9.20	10.11	11.11	(36.09)	(9.27)
<b>ADJUSTMENTS</b>						
<b>A) Permanent Differences</b>						
1. Dividend (exempt from tax)	(2.86)	(13.37)	(1.84)	—	—	—
2. Income Tax provision	—	4.51	14.50	30.48	7.46	7.08
3. Tax free income	(43.06)	(19.75)	(19.29)	(22.22)	(17.48)	(7.28)
4. Capital gain on sale on conversion from HTM to AFS	—	—	(12.78)	(22.68)	—	—
5. Other	5.74	9.87	(3.94)	(11.28)	(4.42)	1.13
<b>Total (A) Permanent Differences</b>	<b>(40.18)</b>	<b>(18.75)</b>	<b>(23.35)</b>	<b>(25.70)</b>	<b>(14.44)</b>	<b>0.93</b>
<b>B) Timing Differences</b>						
1. Interest accrued but not due	(6.59)	—	—	—	—	—
2. Difference between both Depreciation as per IT and Depreciation as per books on Fixed Assets	(8.55)	(6.44)	(6.65)	(4.73)	(2.04)	1.55
3. Deferred Pension and Gratuity	(1.81)	4.67	7.26	—	—	—
4. Provision for bad and doubtful debts/ bad debts write off	28.50	30.92	21.23	26.62	47.77	23.25
5. Provision for Leave Encashment	—	—	2.31	2.00	3.53	2.04
6. Others	5.04	(1.15)	12.15	8.84	67.46	27.10
<b>Total (B) Timing Differences</b>	<b>16.59</b>	<b>28.00</b>	<b>36.30</b>	<b>32.73</b>	<b>116.72</b>	<b>53.94</b>
Net Adjustments (A and B)	(23.59)	9.25	12.95	7.03	102.28	54.87
Tax burden/ (Saving) thereon	(9.33)	3.30	4.76	2.52	37.43	18.47
From Permanent Difference	(15.89)	(6.69)	(8.58)	(9.22)	(5.28)	0.31
From Timing Difference	6.56	10.00	13.34	11.74	42.71	18.16
<b>Total</b>	<b>(9.33)</b>	<b>3.30</b>	<b>4.76</b>	<b>2.52</b>	<b>37.43</b>	<b>18.47</b>
Tax on profit before extraordinary items	(15.53)	12.50	14.87	13.63	1.33	9.20
Tax provision made in books	0.00	4.50	0.57	16.22	0.88	7.68
a) Current Tax provision	0.00	4.50	14.50	30.48	7.46	7.08
b) Deferred Tax Provision*	0.00	0.00	(13.93)	(14.26)	(6.58)	0.60

**Note :** The above statement has been prepared based on information from Income Tax Computation filed with the tax returns for each individual year and not based on assessed income.

\* The Bank has adopted AS-22 Accounting for Taxes on Income from the year ended March 31, 2003.



**ANNEXURE C**

**Part – III: PRINCIPAL TERMS OF BORROWINGS**

The borrowings of the Bank as on March 31, 2005 all of which are unsecured are given below :

Name	Outstanding (Amount Rs. in crore)	Interest rate (%)	Duration for which the loan facility is available	Date of borrowing	Repayment Terms
In India					
SIDBI *	9.55 *	8.75%- 13.50%	Various periods	Various Dates	—
NABARD *	23.96 *	5.50%- 7.75%	Various periods	Various Dates	—
Total	33.51				
Outside India					
Syndicate Bank, London	4.38	2.55%	179 days	October 18,2004	Repayment of principal and interest on April 15, 2005.
Total	37.89				

\* Refinance facility for various schemes.

**ANNEXURE D**

**Part – I: ADDITIONAL INFORMATION**

**A. Major components of Deferred Tax Assets/Liabilities :**

(Rs in crore)

Particulars	2002-03	2003-04	2004-05
Deferred Tax Assets:			
Provision for Non Performing Advances	38.39	39.38	39.38
Provision for Non Performing Investments	4.50	3.88	4.01
Staff Costs	5.08	5.80	6.52
Others	6.35	8.05	13.14
<b>Sub-total</b>	<b>54.32</b>	<b>57.11</b>	<b>63.06</b>
Less: Deferred Tax Liabilities:			
Depreciation on Fixed assets	7.47	8.81	8.18
<b>Interest on securities</b>	<b>12.80</b>	—	—
<b>Sub-total</b>	<b>20.27</b>	8.81	8.18
Deferred Tax Asset	34.05	48.30	54.88





**B. Segment Reporting :**

(Rs in crore)

Business Segments	Treasury			Other Banking Operations			Total		
	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005
Revenue	282.41	275.44	184.87	339.48	320.46	367.50	621.89	595.90	552.37
Result	105.85	105.56	27.66	42.46	41.18	70.02	148.31	146.74	97.68
Unallocated Expenses (including provisions)	120.22	99.56	195.42						
Profit before tax					28.09	47.18	(97.74)		
Income Taxes							0.58	16.22	0.90
Extraordinary Profit/									
Loss							0.00	0.00	0.00
Net Profit							27.51	30.96	(98.64)
<b>OTHER INFORMATION</b>									
Segment Assets	2085.14	2608.12	2269.54	3429.60	4027.43	4292.55	5514.74	6635.55	6562.09
Unallocated Assets							456.89	503.79	521.56
Total Assets					5971.63	7139.34	7083.65		
Segment liabilities	2311.91	2800.99	2583.85	3252.11	3865.43	4041.62	5564.03	6666.42	6625.47
Unallocated Liabilities							407.60	472.92	458.18
Total Liabilities							5971.63	7139.34	7083.65

**Notes :**

- The Bank has recognised Business Segment as the Primary reporting Segment and no geographical segment is recognised in view of the fact that the Bank has only domestic operations. The Business Segments are identified as :-
  - Treasury Operations (includes dealing in Government and other securities, Money Market Operations and Forex Operations in India)
  - Other Banking Operations- includes all other Banking operations other than treasury operations.
- Basis of allocation to Treasury Segment:
 

Interest paid is allocated on the basis of average cost of average funds utilised by Treasury.

Employee cost is allocated in the ratio of average funds utilised to average deposits and borrowings.

Average cost of funds is the ratio of interest paid to average working funds deployed.

Miscellaneous expenses are allocated on the basis of percentage of Segment Revenue.


**C. Cash Flow Statement :**

(Rs in crore)

Particulars	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005
Cash Flow from Operating Activities					
Net Profit /(Loss) as per P&L a/c	(15.68)	25.76	27.50	30.96	(98.64)
Adjustment for -					
Depreciation on Fixed Assets	8.08	10.33	10.90	14.35	14.53
Lease Equalisation Charge	6.42	5.00	1.60	1.20	0.82
Provisions & Contingencies	73.36	129.17	110.56	101.84	182.06
(Profit)/Loss on Sale of Fixed Assets	0.01	(0.07)	(0.13)	—	0.06
Expenses/(Income) not related to Operating activities	12.96	12.59	14.38	17.32	14.83
Operating profit before working capital changes	<b>85.15</b>	<b>182.78</b>	<b>164.81</b>	<b>165.66</b>	<b>113.66</b>
Adjustment for -					
(Increase)/Decrease in Investments	(383.68)	29.14	(235.98)	(509.39)	242.85
(Increase)/Decrease in Advances	(437.18)	(16.27)	(586.71)	(674.87)	(322.95)
Increase/(Decrease) in Borrowings	54.51	101.32	(146.05)	8.29	(22.14)
Increase/(Decrease) in Deposits	872.37	(730.18)	900.06	1039.11	22.68
(Increase)/Decrease in Other Assets	(28.80)	28.87	17.48	(34.38)	(24.23)
Increase/(Decrease) in Other Liabilities & Provisions	10.62	(9.30)	43.49	95.24	(12.77)
Cash Flow from Operating Activities	<b>172.99</b>	<b>(413.64)</b>	<b>157.10</b>	<b>89.66</b>	<b>(2.90)</b>
Purchase of Fixed Assets	(22.68)	(17.60)	(17.73)	(19.70)	(10.48)
Sale of Fixed Assets	1.48	1.57	0.22	0.57	0.15
Dividend from Subsidiary Company	0.01	0.02	—	—	—
Net Cash used in Investment activities	<b>(21.19)</b>	<b>(16.01)</b>	<b>(17.51)</b>	<b>(19.13)</b>	<b>(10.33)</b>
Cash Flow from Financing Activities					
Interest on Subordinated Bonds	(12.62)	(12.62)	(14.38)	(17.32)	(14.83)
Dividend paid (including Tax)	(10.02)	(3.29)	(4.48)	(5.05)	(1.69)
Expenses for increase of Authorised Capital	(0.35)	—	—	—	—
Net Cash generated from Financing activities	<b>(22.99)</b>	<b>(15.91)</b>	<b>(18.86)</b>	<b>(22.37)</b>	<b>(16.52)</b>
Net Increase/(Decrease) in Cash & Cash equivalents	128.81	(445.56)	120.73	48.16	(29.75)
Cash & Cash equivalents at the beginning of the year	788.50	917.31	471.75	592.48	640.64
Cash & Cash equivalents at the end of the year	917.31	471.75	592.48	640.64	610.89

 Note: **Figures of previous year have been regrouped where necessary**
**D. Important notes for various years :**
**FOR THE YEAR END MARCH 31, 2001:**

- a) Land & Buildings were revalued on 31<sup>st</sup> March 1993. As per the valuation certified by the approved valuers, the net increase of Rs. 12.93 crore over the book value based on historical costs less depreciation provided till 31<sup>st</sup> March



1993 was credited to Revaluation Reserve A/c. Certain buildings were revalued once again on 31<sup>st</sup> March 2001. As per the valuation certified by approved valuer, the net increase of Rs. 16.78 crore over the book value based on revalued figures / historical cost less depreciation provided till 31<sup>st</sup> March 2001 has been credited to revaluation reserve account.

Balance in revaluation reserve of Rs. 25.78 crore as on 31<sup>st</sup> March 2001 is arrived at after charging additional depreciation consequent upon revaluation & revalued portion of building sold till that date.

- b) On the basis of expert opinion obtained by the Bank, provision for income tax is not considered necessary on the interest receivable but not due, on Central and State Government Securities which is credited to income in the books and offered to tax as and when accrued.
- c) The Bank has decided to spread over the additional Gratuity and Pension liability as on 31<sup>st</sup> March 2001 arisen out of revision in salary effected during the year w.e.f. 1998 over the period of five years commencing from the year 2000 - 01. Amount charged to Profit & Loss A/c is Rs. 9.00 crore and liability of Rs. 5.20 crore though paid fully is spread over remaining period of four years.
- d) During the year wage / salary revision was effected with retrospective effect from 1<sup>st</sup> November 1997. Financial burden on this score, pertaining to the earlier period, amounting to Rs.11.30 crore has been expensed out during the year as 'extra ordinary item'.
- e) Pursuant to directives by Reserve Bank of India, loss of Rs. 7.43 crore on interest free loans given to "Employees Equity Trust" being fall in value of the securities held by the Trust is charged of as extra ordinary item during the year.
- f) Bank's proposal for Bonus cum Right Issue offering Bonus Shares in the ratio of 1: 5 by capitalizing total amount of Rs. 5.98 crore out of share premium account and offering right issue in the ratio 1: 2 (Post Bonus) at a price of Rs. 20 per share is pending implementation, in view of status quo order of Hon'ble Mumbai High Court.
- g) As per revised guidelines of Reserve Bank of India, depreciation has been charged on computers at 33.33 per cent on Straight Line Method in the current year as against 16.21 per cent charged on Straight Line Method/40 per cent on Written Down Value Method till last year. Due to this change, the depreciation charged for the year is more by Rs. 1.98 crore.
- h) As stated in Para A (ii), as per Reserve Bank of India guidelines investments are classified into "Held For Trading" "Available For Sale" and "Held To Maturity" categories. Investments in "Held To Maturity" category are valued at acquisition / carrying cost. Any premium on acquisition is amortised over the remaining maturity of the security. During the financial year 1999 - 2000, the Bank had marked to market its entire portfolio of the approved investments as current investments. Had the same policy been followed, the depreciation / amortisation for the year would have been lower by Rs. 3.20 crore & profit for the year would have been more to that extent.
- i) In absence of taxable profits, no provision for Income Tax is necessary.
- j) An amount of Rs 25.00 crore has been withdrawn from 'Revenue & Other Reserves' & transferred the same to Profit & Loss A/c. The net loss of Rs. 15.67 crore after charging expenditure on extra ordinary items is adjusted against that & provision of Rs. 3.29 crore for proposed Dividend & dividend tax (subject to RBI Approval) has been made out of the same. Balance of Rs. 5.99 crore is carried forward as credit balance in Profit & Loss A/c.

**FOR THE YEAR END MARCH 31, 2002 :**

**1. The United Western Bank Employees' Equity Trust (Trust):**

The Bank had given interest free loans to the Trust under Employees' Stock Option Scheme, in the year 2000-2001. Reserve Bank of India had directed the Bank to recall the loans by offloading the shares of the Trust. Complying with the Reserve Bank of India directive the Bank had recalled the loan from the Trust and has recovered the sale proceeds realised by the Trust by sale of entire shares held by the Trust, leaving a balance of Rs. 2.35 crore in the Loan Account of the Trust. As the Reserve Bank of India had also directed to make adequate provision against the expected losses in this Loan Account, the balance amount of Rs.2.35 crore has been treated as Loss Asset and fully written off under 'Provisions and Contingencies'.

**2. Fixed Assets:**

**Assets given on Lease**

On conclusion of primary lease period, certain assets given on lease have been re-invoiced. Such transaction taking place till 31<sup>st</sup> March 2001 have been recorded during the year. Deductions from the Gross Block, Depreciation and Lease Adjustment Account include Rs. 50.06 crore, Rs.21.91 crore and Rs. 28.15 crore (Previous year nil in all cases), respectively on this account.

**3. Accounting Standard issued by The Institute of Chartered Accountants of India :**

Pursuant to the RBI communication dated 29<sup>th</sup> May 2002 to all Scheduled Banks, compliance with the Accounting Standards AS-17, 18, 21 and 22 is made optional for the financial year ended 31<sup>st</sup> March 2002. The Bank will comply with these Accounting Standards as and when RBI advises on their applicability.

**FOR THE YEAR END MARCH 31, 2003 :****1. Tier II Bonds :**

Subordinated Debt Bonds represent Unsecured Non - Convertible Subordinated Bonds. This debt is subordinated to claims of all other creditors and also depositors of the Bank as regards payment of interest and repayment of principal. During the year 2002-03, the Bank has issued fresh subordinated bonds of Rs.31.20 crore through private placement. Balance as at March 31, 2003 is Rs. 121.20 crore. Based on the balance term to maturity as at 31<sup>st</sup> March 2003, Rs. 58.56 crore (previous year Rs. 51.40 crore) out of the balance debt is considered as Tier II Capital for the purpose of capital adequacy computation.

**2. Investments :**

- (a) During the year overdue non-performing investments amounting to Rs. 23.31 crore (gross) are transferred to other assets. Depreciation of Rs. 1.10 crore and Provision for NPA of Rs. 12.75 crore has been made against these investments.
- (b) During the year the Bank has shifted, to HTM category from AFS category, investments aggregating to Rs. 40 crore in some assured return schemes of Unit Trust of India in terms of approval received from Reserve Bank of India. As per notification, Government of India has assured repayment of these investments on maturity at their face value and therefore these investments are intended to be held till maturity. Consequently, the depreciation of Rs. 5.46 crore provided in earlier years has been written back.
- (c) During the year the Bank has changed the method of determining cost for the purpose of valuation of investments held in Held For Trading (HFT) and Available For Sale (AFS) categories from First-in-First-Out (FIFO) basis to weighted average basis. As a result of this change profit for the year and Investments are understated to the extent of Rs. 1.50 crore.

**3. Fixed Assets :**

Based on technical configuration of ATMs, the Bank has changed its accounting policy of classification of ATMs as Computers to Electrical Installation. As a result of the change in the classification, the excess depreciation of Rs. 0.54 crore charged in the books of accounts upto 31<sup>st</sup> March 2002 has been written back. Excess claim of depreciation under Income Tax Act, 1961 of Rs. 0.50 crore has been offered to tax. Due to the change in classification, the net profit for the year ended on 31<sup>st</sup> March 2003 is higher by Rs.0.36 crore (net of tax).

**4. Retirement Benefits :****(a) Pension / Gratuity Deferred**

The Bank introduced pension scheme during the year 1998-99. Actuarial valuation of the initial liability as on 31<sup>st</sup> March, 1999 was of Rs. 23.29 crore. This being a non-routine charge pertaining to the past as well as future services of the employees, it was decided to spread this charge over a period of five years commencing from the year 1998-99. Further, additional liability towards Gratuity and Pension arising from revision in salaries effected during 2000-2001, with retrospective effect from 1998, was being spread over a period of five years commencing from the year 2000-01.

Effective from financial year 2002-03, the Bank has decided not to defer these expenses any further and has charged them to the Profit & Loss Account.

In view of the above, expenditure on 'Payments to and Provisions for Employees' appearing under 'Operating Expenses' in the Profit and Loss Account include the charge of Rs. 3.36 crore (previous year Rs. 3.36 crore) towards initial contribution to Employee's Pension Fund and Rs. 3.89 crore (previous year Rs. 1.30 crore) towards liability of additional contribution to Employer's Pension and Gratuity funds, arising out of retrospective salary revision (including Rs. 2.59 crore which could have been spread over the period of next two years as per policy followed by the Bank until March 31, 2002.)



**(b) Leave Encashment :**

During the year, the Bank has changed its Accounting Policy in respect of accounting of Leave Encashment Liability from 'Pay-As-You-Go' basis as hitherto followed to accrual basis to bring it in conformity with the Accounting Standard 15 on 'Accounting for Retirement Benefits in the Financial Statement of Employers' issued by the Institute of Chartered Accountants of India and based on the guidelines issued by Reserve Bank of India. Accordingly, Leave Encashment Liability accruing upto 31st March 2002 amounting to Rs. 11.53 crore has been charged to Revenue Reserve and incremental Leave Encashment Liability accruing during the year amounting to Rs. 2.64 crore has been charged to the Profit and Loss Account.

**5. Income Tax :**

a) Following the directives issued by the Reserve Bank of India, the Bank has recognised deferred tax assets and liabilities in accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. As a result of this change in policy, provision for tax is lower and Profit for the year and Revenue and Surplus are higher by Rs. 13.93 crore.

b) Deferred tax asset at the beginning of the year amounting to Rs. 20.12 crore is recognised in the accounts by crediting the like amount to the Revenue Reserve.

**c) The income tax expense comprises the following :**

**(Rs. in crore)**

Current income tax expenses	14.50
Deferred income tax expenses (benefit)	<u>13.93</u>
Income Tax Expenses	0.57

**d) The major heads of deferred tax assets & liabilities as at 31st March 2003 are as under: (Rs. in crore)**

Deferred Tax Assets		
Provision for Non-Performing Advances	38.39	
Provision for Non-Performing Investments	4.50	
Staff Costs	5.08	
Others	<u>6.35</u>	54.32
<b>Less: Deferred Tax Liabilities</b>		
Depreciation on Fixed assets	7.47	
Interest on Securities	<u>12.80</u>	<u>20.27</u>
<b>Deferred Tax 'Asset'</b>		<b>34.05</b>

**FOR THE YEAR END MARCH 31, 2004 :**

**1. Tier II Bonds:**

Subordinated Debt Bonds represent Unsecured Non-Convertible Subordinated Bonds. This debt is subordinated to claims of all other creditors and also depositors of the Bank as regards payment of interest and repayment of principal. During the year 2003-04 Bank has issued fresh subordinated bonds of Rs. 55.00 crore through private placement. Balance as at March 31, 2004 is Rs. 176.20 crore. Based on the balance term to maturity as at March 31, 2004, Rs. 89.52 crore (previous year Rs. 58.56 crore) out of the balance debt is considered as Tier II Capital for the purpose of computation of Capital Adequacy Ratio.

**2. Fixed Assets**

In accordance with AS-26 "Intangible Assets" issued by The Institute of Chartered Accountants of India (ICAI), Core Banking software acquired on or after April 1, 2003 are amortised/depreciated over a period of three years on pro rata basis on straight-line method as per guidelines of Reserve Bank of India. During the year 2003-04 software of the value of Rs. 4.82 crore was acquired and the amount of amortisation/depreciation is Rs. 0.97 crore.

**3. Income Tax :**

During the year the Bank has offered interest income on Government securities to income tax on accrual basis instead of receipt basis. Earlier to this the interest income on Government securities used to be offered to income tax in the year of receipt of income.



**FOR THE YEAR END MARCH 31, 2005 :**

**1. Tier II Bonds :**

Subordinated Debt Bonds represent Unsecured Non-Convertible Subordinated Bonds. This debt is subordinated to claims of all other creditors and also depositors of the Bank as regards payment of interest and repayment of principal. During the year 04-05 the Bank has repaid on redemption date subordinated bonds of Rs. 41.50 crore which includes Rs. 15 crore payable to Industrial Investment Bank Ltd. and adjusted against amount due from them (against redemption of Preference Shares of Industrial Investment Bank Ltd. in which the Bank had invested) Balance as at March 31, 2005 is Rs. 134.70 crore. Based on the balance term to maturity as at March 31, 2005, Rs. 73.58 crore (previous year Rs. 89.52 crore) out of the balance debt is eligible as Tier II Capital for the purpose of computation of Capital Adequacy Ratio. However in view of Bank's Tier – I Capital remaining at Rs. 81.42 crore, Subordinated Bonds of Rs. 40.71 crore (being 50% of the Tier – I Capital) have been considered for the calculation of Capital Adequacy Ratio.

**2. Investments**

As permitted by Reserve Bank of India the Bank has shifted certain SLR securities from AFS category to HTM category. As mandated by RBI such transfer has been effected at the lower of acquisition cost/book value/market value on the date of such transfer. The book value of Rs. 619.65 crore of respective securities so transferred from AFS category has been brought down to the market value of Rs. 577.02 crore by changing carrying value of each security on the date of such transfer to HTM category. Resultant depreciation of Rs. 42.63 crore has been fully charged to Profit and Loss Account.

**3. Income Tax :**

During the year the Income Tax Department has levied penalty of Rs.2.39 crore against which the Bank has made an Appeal. Pending decision in appeal, the Bank has made provision for the same.

4. RBI vide its circular No. CAOD/BP.BC.100/21.01.002/2001-02 dt. May 9, 2002 advised Banks to reduce the period of an asset in sub-standard category from 18 months to 12 months w.e.f. March 31,2005. Further RBI has permitted Banks to bear the burden of increase in provisioning, due to such change, in a phased manner over the period of 4 years (subject to a minimum 20 per cent in a year) upto March 31, 2008. Accordingly, the Bank has made minimum prescribed provision of Rs.3.63 crore during F.Y. 2004-05.

**FOLLOWING ARE THE IMPORTANT FINANCIAL DETAILS/RATIOS RELATING TO THE BANK FOR LAST FIVE FINANCIAL YEARS :**

Year ended March 31	2001	2002	2003	2004	2005
Average Interest Earning Assets (Rs. in crore)	4060	4451	4759	5416	6219
Interest Income (Rs. in crore)	473	492	477	463	487
Average Interest Bearing Liabilities (Rs. in crore)	4030	4477	4650	5276	6021
Total Interest Expenses (Rs. in crore)	363	391	358	341	340
Ratio of Average Interest Earning Assets to Average Interest Bearing Liabilities	1.01	0.99	1.02	1.03	1.03
Interest Expense Apportioned to Interest Earning Assets (Rs. in crore)	320	343	315	301	304
Net Interest Income (Rs. in crore)	110	101	119	122	147
Net Interest Margin as a % to Average Working Funds	2.38	2.00	2.20	1.99	2.10
Gross Yield %	10.26	9.71	8.81	7.55	6.99
Average Cost of Loan Funds %	7.88	7.71	6.61	5.56	4.89
Yield Spread %	2.38	2.00	2.20	1.99	2.10
Return on average assets (%)	-0.34	0.51	0.51	0.50	-1.42
Average Share Capital & Reserves to Average Total Assets%	5.09	4.80	4.92	4.75	3.94



**FINANCIAL PERFORMANCE OF THE SUBSIDIARY**

**AUDITORS REPORT**

***The Board of Directors***

**The Western India Trustee & Executor Co. Ltd.**

Regd. & Head Office,  
Satara – 415 002

Dear Sirs,

I was engaged to report on the financial information of The Western India Trustee & Executor Co. Ltd. (the Company) annexed to this report, which is required to be prepared in accordance with Clause B of Part II of Schedule II of the Companies Act, 1956 and Clause 6.18 of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the Guidelines) issued by Securities and Exchange Board of India (SEBI) in pursuance of section 11 of the Securities and Exchange Board of India Act 1992. This financial information is proposed to be included in the offer document of The United Western Bank Ltd. in connection with its proposed Issue of equity shares of Rs. 10 each.

I have examined the following financial information relating to the Company to be included in the Letter of Offer as approved by the Board and annexed to this report:

- 1) The financial statements for the five years ended March 31, 2005 and for the half year ended September 30, 2005 in Parts I & II of Annexure A.
- 2) The dividends declared by the Company in respect of the five financial years ended March 31, 2005 in Part III of Annexure-A
- 3) Break up of Investments made by the Company in Part IV of Annexure-A.
- 4) Various financial ratios in Part V of Annexure A.
- 5) Significant Accounting Policies adopted by the Company, other information and Notes to the Accounts for the five years ending March 31, 2005 and for the half year ended September 30, 2005 in Part I & II of Annexure B.
- 6) The Capitalisation Statement in Part I, is not applicable to the Company. Statement of Taxes (Tax Shelter Statement in Part II is also not applicable to the Company and Principal terms of Borrowings in Part III of Annexure-C are NIL as there are no borrowings made by the Company.

For the purpose of the above examination and this report I have placed reliance on the following:

1. The audited financial statements of the Company for the five financial years ended March 31, 2005, being the last date to which the accounts of the Company have been made up and audited by the Auditors of the Company for those respective years. These statements have been prepared in accordance with the provisions of the Companies Act, 1956.
2. The Profit & Loss Account for the half year ended September 30, 2005 and the Balance Sheet as at that date of the Company approved by the Board of Directors on 20th December, 2005 which have been examined by me and found correct with reference to the records furnished at Head office.

The financial results prepared by the Company for the half year ended September 30, 2005, pursuant to the provisions of the Companies Act, 1956 were audited by me and that these results do not contain any material misstatements.

The Company has no subsidiary company. There are no discontinued activities of the Company during the period covered in our report having a material impact on the accounts.

Particulars of significant changes in accounting policies and practices of the Company during the period of five financial years ended March, 31, 2005 are given in Part III of Annexure-B, together with the impact to the extent quantified in the financial statements in the year of change. There were no Events Occurring after the Balance

## THE UNITED WESTERN BANK LIMITED

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Sheet Date Subject to the same, I confirm that the Statement of Profits and Loss and Assets & Liabilities of The Western India Trustee & Executor Co. Ltd., have been prepared by the Company in accordance with the requirements of Clause B of Part II of Schedule II of the Companies Act, 1956 and Clause 6.18 of the SEBI (Disclosure & Investors Protection) Guidelines, 2000 as amended till date after charging all expenses and making adjustments and re-grouping which in our opinion are appropriate.

For **M/s D. G. Kurundwadkar**  
Chartered Accountants

**(D G Kurundwadkar)**  
Proprietor  
Membership No. 35602  
Shree Narayan Bhuvan,  
1627, Sadashiv Peth,  
Gopal Gayan Samaj Marg,  
Pune – 411 030

Date : 20.12.2005  
Place : Satara





**PROFIT & LOSS ACCOUNT**

PARTICULARS		31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30.09.2005
I)	<b>INCOME</b>						
	<b>A) Income from operations</b>						
	Trustee & Executorships Fees	0.14463	0.09951	0.06070	0.08900	0.09651	0.05239
	Debenture Trusteeship Fees	0.27014	1.76600	3.56653	3.09266	2.92652	1.28045
	Security & Securitisation Trusteeship fees	0.00000	0.00750	0.20690	1.30284	1.58718	0.62014
	Locker Rent	0.01559	0.01546	0.01430	0.02257	0.02600	0.01597
	Interest	0.04145	0.05182	0.10331	0.13116	0.23858	0.16317
	Court Receiver Fees	0.00000	0.00530	0.00668	0.02992	0.00000	0.00000
	Rent on Building	0.00468	0.00188	0.00000	0.01471	0.02296	0.01148
	Brokerage received	0.00200	0.00079	0.00024	0.00083	0.00994	0.01357
	Other Income	0.00297	0.00071	0.00768	0.01930	0.00800	0.00195
	Recovery of Bad debts W/off in earlier year	0.00000	0.00000	0.32964	0.05251	0.10976	0.24627
	Dividend	0.00629	0.00717	0.00454	0.00730	0.00924	0.00778
	Miscellaneous Receipts	0.00000	0.00000	0.00000	0.00301	0.00035	0.00006
	Income Tax Refund	0.00000	0.00000	0.00000	0.00229	0.00000	0.00000
	Short/ Excess Provision written back	0.00000	0.00000	0.00000	0.00135	0.00163	0.00220
	Settlor Fees	0.00000	0.00000	0.00000	0.01558	0.00000	0.00000
	Interest on income tax refund	0.00000	0.00000	0.00000	0.00000	0.00666	0.00002
	<b>B) Income on disposal of assets – Building</b>	0.00000	0.01197	0.00000	0.00000	0.00000	0.00000
	<b>C) Income received of previous year</b>	0.00000	0.00000	0.08887	0.08071	0.02584	0.00301
	<b>D) Income from Sale of Shares</b>	0.01701	0.16939	0.00000	0.00000	0.28390	0.00000
		<b>0.50477</b>	<b>2.13749</b>	<b>4.38938</b>	<b>4.86574</b>	<b>5.35308</b>	<b>2.41845</b>
II)	<b>EXPENDITURE</b>						
	<b>A) Payments to &amp; for Employees</b>						
	Salary, Bonus etc	0.07570	0.10041	0.14561	0.24016	0.29165	0.18187
	Contribution to PF & Gratuity	0.00452	0.02864	0.00900	0.02200	0.03803	0.01231
	Staff Welfare, Leave Encashment, Mediclaim, LFC	0.00000	0.01631	0.00375	0.01246	0.01282	0.00296
	Remuneration to Managing Director	0.00000	0.00000	0.03597	0.07457	0.08491	0.06372
	Training Expenses	0.00000	0.00000	0.00000	0.00272	0.00267	0.01492
	<b>Total C/f</b>	<b>0.08022</b>	<b>0.14536</b>	<b>0.19432</b>	<b>0.35191</b>	<b>0.43009</b>	<b>0.27578</b>



PROFIT & LOSS ACCOUNT

PARTICULARS	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30.09.2005
<b>B) Administrative Expenses</b>						
<b>Total b/f</b>	<b>0.08022</b>	<b>0.14536</b>	<b>0.19432</b>	<b>0.35191</b>	<b>0.43009</b>	<b>0.27578</b>
Office Rent	0.00005	0.01205	0.02405	0.04505	0.06003	0.03000
Municipal Taxes	0.00185	0.00184	0.00225	0.01897	0.00970	0.00609
Electricity Charges	0.00084	0.00135	0.00577	0.02104	0.02121	0.01206
Printing and Stationery	0.00365	0.02158	0.02929	0.02826	0.02986	0.00830
Postage and Telephones	0.00577	0.01692	0.02316	0.03840	0.03523	0.01656
Bank charges and filling fees	0.00011	0.00018	0.00032	0.00126	0.00175	0.00090
Advertisement	0.00092	0.00158	0.00825	0.00775	0.01388	0.01076
Travelling expenses	0.00282	0.03516	0.02251	0.03764	0.02803	0.01649
Insurance	0.00016	0.00056	0.00098	0.00437	0.00601	0.00346
Professional Tax	0.00020	0.00010	0.00010	0.00020	0.00020	0.00010
Deb. Trusteeship Registration Fees	0.02000	0.01000	0.02500	0.00000	0.00000	0.00105
Legal & Professional Fees	0.00391	0.10980	0.07689	0.07031	0.06961	0.02856
Miscellaneous Expenses	0.00408	0.00973	0.01150	0.01128	0.01360	0.00513
Payment to directors						
I) Sitting Fees	0.00070	0.00280	0.00380	0.00640	0.00660	0.00360
II) Insurance for Directors Liab.Policy	0.00000	0.00000	0.00000	0.00000	0.01051	0.01225
II) Travelling expenses	0.00066	0.00125	0.00464	0.01080	0.00471	0.00325
Premises Eviction Charges	0.00000	0.04750	0.00000	0.00000	0.00000	0.00000
Court Receiver Exps	0.00077	0.00079	0.00000	0.00000	0.00000	0.00000
Bad Debts written off	0.00000	0.35528	0.20127	0.30844	0.45465	0.05626
Entertainment Expenses	0.00000	0.00120	0.00874	0.01403	0.01045	0.00572
Repairs & Maintenance	0.00000	0.00078	0.01707	0.02306	0.00930	0.01168
Books, Periodical & Newspapers	0.00000	0.00444	0.00228	0.00437	0.00323	0.00102
Security Charges	0.00000	0.00604	0.01084	0.01039	0.01523	0.00866
Marketing Exps.	0.00000	0.05000	0.00050	0.00091	0.00192	0.00017
Inauguration expenses	0.00000	0.00000	0.00000	0.03939	0.00000	0.00000
Remuneration to Auditors	0.00000	0.00264	0.00264	0.01142	0.00917	0.00506
Donation	0.00000	0.00000	0.00500	0.00720	0.05510	0.00000
Computer Software	0.00018	0.00050	0.00038	0.00000	0.00000	0.00000
TDS W/off	0.00014	0.00000	0.00000	0.00000	0.00000	0.00000
Short/Excess provision for previous year	0.00000	0.00000	0.00000	0.15683	0.00000	0.03309
Locker Rent	0.00000	0.00000	0.00000	0.00013	0.00001	0.00013
<b>Total C/f</b>	<b>0.12701</b>	<b>0.83940</b>	<b>0.68153</b>	<b>1.22980</b>	<b>1.30006</b>	<b>0.55613</b>



PROFIT & LOSS ACCOUNT

PARTICULARS	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30.09.2005
Total b/f	0.12701	0.83940	0.68153	1.22980	1.30006	0.55613
<b>B) Administrative Expenses</b>						
Concurrent Audit Fee	0.00000	0.00000	0.01879	0.02761	0.02858	0.01264
Legal Fees for DT Cases	0.00000	0.00000	0.00000	0.06486	0.03468	0.00000
SEBI UIN Registration Fee	0.00000	0.00000	0.00000	0.00042	0.00000	0.00000
Vehicle Expenses	0.00000	0.00000	0.00000	0.00543	0.00000	0.00000
AMFI Registration Fee	0.00000	0.00000	0.00000	0.00000	0.00150	0.00000
ISO Certification Charges	0.00000	0.00000	0.00000	0.00000	0.01840	0.00028
Brokerage Paid	0.00000	0.00000	0.00000	0.00000	0.00059	0.00000
Security Transaction Tax	0.00000	0.00000	0.00000	0.00000	0.00022	0.00000
Previous Years' Income Reversed	0.00000	0.00000	0.00000	0.00000	0.04615	0.00000
Fringe Benefit Tax A.Y.06-07	0.00000	0.00000	0.00000	0.00000	0.00000	0.00270
<b>C) Investment written off</b>	0.00000	0.00054	0.00000	0.00000	0.00000	0.00000
<b>D) Depreciation</b>	0.00883	0.01332	0.02918	0.17286	0.25808	0.09925
<b>Total Expenditure</b>	0.13584	0.85326	0.72950	1.50098	1.68826	0.67100
Profit for the year	0.36892	1.28423	3.65987	3.36476	3.66482	1.74745
Less: 2) Provision for Income Tax	0.14343	0.13000	0.88000	1.02000	2.14000	0.59000
Add/Less: 3) Short/Excess Provision for I Tax for previous years	0.00000	0.00015	0.00145	0.00764	0.00244	0.01068
4) Deferred Tax Provision	0.00000	0.00000	0.43797	0.31451	0.00940	0.00000
<b>Profit after tax</b>	<b>0.22550</b>	<b>1.15408</b>	<b>2.34046</b>	<b>2.02262</b>	<b>1.51786</b>	<b>1.16813</b>
Balance Carried from Balance Sheet	0.00040	0.00112	0.88316	2.31554	0.00098	0.00839
DTL Write back	0.00000	0.00000	0.00000	0.00000	0.68756	0.01009
Less: Appropriations	0.22590	1.15520	3.22361	4.33815	2.20640	1.18661
General Reserve	0.20500	0.25000	0.38000	3.80900	1.64100	0.00000
Special Reserve	0.00000	0.00000	0.50000	0.50000	0.50000	0.00000
Dividend Equalisation Res.	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Investment Fluctuation Reserve	0.00600	0.00000	0.00000	0.00000	0.00000	0.00000
Proposed Dividend	0.01250	0.00000	0.02500	0.02500	0.05000	0.00000
Tax on Proposed Dividend	0.00128	0.00000	0.00308	0.00317	0.00701	0.00000
Interim Dividend	0.00000	0.02000	0.00000	0.00000	0.00000	0.00000
Tax on Interim Dividend	0.00000	0.00204	0.00000	0.00000	0.00000	0.00000
Balance Carried to B/S	0.00112	0.88316	2.31554	0.00098	0.00839	1.18661
	<b>0.22590</b>	<b>1.15520</b>	<b>3.22361</b>	<b>4.33815</b>	<b>2.20640</b>	<b>1.18661</b>



STATEMENT OF ASSETS & LIABILITIES

PARTICULARS	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30.09.2005
<b>ASSETS</b>						
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>						
Stamps in hand & Cash in hand					0.0002	0.0003
Cheques in hand					0.0212	0.0000
<b>Bank Balances</b>						
a) In Saving Bank A/cs	0.0883	0.0625	0.0801	0.0562	0.3096	0.2917
b) In Current Bank A/cs	0.3456	0.7545	0.4004	0.4780	0.2317	0.1741
c) In Fixed Deposits	0.2985	0.3185	0.9035	2.1370	3.5495	5.4241
Advance Income Tax & TDS: Less Provision	0.0089	0.0622	0.0756	0.1070	0.4064	0.2574
Advances	0.0102	0.0645	0.0617	0.0011	0.0093	0.0191
Other Receivables	0.0014	0.0033	0.0939	0.4350	0.0066	0.0268
S. Debtors outstanding for period exceeding 6 m	0.0773	0.1638	0.3931	1.7563	1.3269	0.0000
Other Debtors	0.1394	0.6180	1.6431	0.6980	2.2108	2.9921
Deposits with Post Office & Telecom, MSEB	0.0010	0.0025	0.0065	0.0053	0.0053	0.0053
Prepaid Expenses	0.0007	0.0012	0.0011	0.0075	0.0228	0.0320
<b>FIXED ASSETS:</b>	0.0245	0.0618	1.2963	1.7104	1.5026	1.4078
<b>Capital WIP</b>		0.0698				
<b>INVESTMENTS</b>	0.0664	0.0621	0.0622	0.0442	0.0287	0.0287
	1.0622	2.2447	5.0175	7.4360	9.6316	10.6593
<b>Less:</b>						
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>						
Client's Deposit	0.4954	0.5021	0.3406	0.3124	0.2813	0.1558
Other Liabilities	0.0132	0.0159	0.1943	0.3143	0.3907	0.4395
Income received in advance	0.0063	0.0347	0.0001	0.0241	0.7017	0.6360
Unclaimed Dividend	0.0012	0.0014	0.0019	0.0022	0.0025	0.0025
Security & Tender Deposit	0.0000	0.0065	0.0378	0.0312	0.0045	0.0045
Provision for FBT A.Y. 06-07	0.0000	0.0000	0.0000	0.0000	0.0000	0.0018
Interim Dividend Payable	0.0000	0.0197	0.0000	0.0000	0.0000	0.0000
Proposed Dividend	0.0125	0.0000	0.0250	0.0250	0.0500	0.0500
Tax on Proposed Dividend	0.0013	0.0000	0.0031	0.0031	0.0070	0.0070
	<b>0.5299</b>	<b>0.5803</b>	<b>0.6028</b>	<b>0.7123</b>	<b>1.4377</b>	<b>1.2972</b>
<b>Net Assets</b>	<b>0.5323</b>	<b>1.6644</b>	<b>4.4147</b>	<b>6.7237</b>	<b>8.1939</b>	<b>9.3620</b>
<b>LIABILITIES</b>						
<b>A) Share Capital</b>	<b>0.0500</b>	<b>0.0500</b>	<b>0.0500</b>	<b>0.0500</b>	<b>0.0500</b>	<b>0.0500</b>
<b>B) Reserve &amp; Surplus</b>						
Capital Reserve	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Share Premium	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
General Reserve	0.3700	0.6200	0.7226	4.5316	6.4500	6.4500
Investment Fluctuation Reserve	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110
Special Reserve	0.0000	0.0000	0.5000	1.0000	1.5000	1.5000
Dividend Equalisation Reserve	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Balance in Profit & Loss A/c	0.0011	0.8832	2.3155	0.0010	0.0084	1.1866
<b>C) Deffered Tax Liability</b>			<b>0.7154</b>	<b>1.0299</b>	<b>0.0743</b>	<b>0.0642</b>
	<b>0.5323</b>	<b>1.6644</b>	<b>4.4147</b>	<b>6.7237</b>	<b>8.1939</b>	<b>9.3620</b>



**G. CONTINGENT LIABILITIES :**

**A) As on 31.03.05**

Estimated amount of Contracts remaining to be executed on Capital Accounts & not provided for Rs. NIL.

**B) As on 30.09.05**

Estimated amount of Contracts remaining to be executed on Capital Accounts & not provided for is Rs. NIL.

**ANNEXURE A**

**Part – III: Detail of Dividend paid**

<b>For the Year ended</b>	<b>31.03.2001</b>	<b>31.03.2002</b>	<b>31.03.2003</b>	<b>31.03.2004</b>	<b>31.03.2005</b>
No. of shares	50,000	50,000	50,000	50,000	50,000
Rate of Dividend (%)	25%	40%	50%	50%	100%
Amount of Dividend (Rs.)	125000/-	200000/-	250000/-	250000/-	500000/-

**ANNEXURE B**

**Significant Accounting Policies**

**Accounting Conventions**

- 1.1 The financial statements are drawn on the historical cost basis, unless otherwise stated.
- 1.2 Revenue & expenses are accounted for on accrual basis unless otherwise stated.

**Fixed Assets**

- 2.1 Fixed Assets are stated at historical cost, except land, which is stated at revalued cost.
- 2.2 Depreciation on Fixed Assets is provided on the Written Down Value method, at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation is calculated by taking applicable rates and on additions during the quarter, it is provided on pro-rata basis, from the date asset is put to use.

**Investments**

Investments, being in the nature of long-term investments are stated at cost of acquisition.

**Deposits**

Balance in Clients' Deposits Account is net of Investments, Fixed Deposits that are represented by Bank Balances of the Company held in own name or in the names of respective Trusts.

**Revenue recognition**

The rates for fees for various Trusteeship services offered by the Company are negotiated by the Company Management.

Income is recognized on accrual basis, except where mentioned otherwise. More particularly:

**I Debenture Trusteeship Fees :**

- (i) Debenture Trusteeship Fees are recognized from dates, which can be date of acceptance or date of allotment or date of documentation or date of issue of debentures. For the period under this Audit, the fees have been calculated proportionately. In respect of redemptions, the bills up to the date of redemption have been raised and the said amount has been also shown as income.
- (ii) In case of Joint Trusteeship Accounts with ICICI, the fees are accounted for as and when Company's share of Joint Trusteeship Fees is received from ICICI. However, during the period under audit, no Joint Trusteeship Fees have been received from ICICI. As the amount of fees is not known, the proportionate fees for Joint Trusteeship have also not been accounted for.

**II Securitisation Trusteeship Fees/Security Trusteeship Fees/ Share warehousing Trusteeship Fees/ Venture Capital Trusteeship Fees**

In case where a one-time fee was negotiated it is accounted for as under:

The fees are appropriated towards Acceptance Fees and Annual Fees as per the agreed terms.

**III Dividend**

Dividend is accounted for as and when received.

**IV Brokerage**

Brokerage is accounted for as and when received.

**Retirement Benefits**

The retirement benefit to employees towards gratuity is funded through Group Gratuity Scheme administered by Life Insurance Corporation of India. A provision for proportionate contribution for the half year under audit, based on previous year's premium has been provided in the accounts.

**Income Tax**

Provision for Income Tax is computed on the basis of profit arrived at during the half year under audit as per the Books of Accounts. This provision is made at the rates applicable to the period under audit.

Deferred Tax is recognized on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more of subsequent period/s.

**ANNEXURE B****Part – II: Notes to Accounts****1. Contingent Liabilities not provided for**

Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for is NIL (As On 30.09.2004–Rs.23000/-).

The Company undertakes various types of trusteeship businesses such as Securitization Trusteeship, Security Trusteeship; Share warehousing trusteeship, Debenture Trusteeship, Management of Private & Public Trusts etc. in which the Company, as per the documents executed is not subjected to any monetary risk. As per the documents executed, the company is also entitled to get indemnified for any monetary loss, if incurred while discharging duties as trustees. In view of this, the contingent liability, if at all any, is not envisaged. Considering the type & nature of business of the company, the company is subject to certain business risks as well as operational risks. Precise quantification of such liability is not possible and hence no provision is made therefor. However, the company has created a Special Reserve of Rs.1.50 Crore upto 31.03.2005. The accounts for the half year ended on 30.09.2005 being for part of the year, no appropriation has been made on this account.

**2. Clients Deposits :**

Investments & fixed deposits held for clients and net balances in Clients' Deposits Accounts are subject to confirmation.

**3. Segment Reporting**

The Company operates only in one segment viz. "Trusteeship Activities" and as such no separate disclosures are made segment – wise.

**4. Accounting for Taxes on Income**

Consequent to and in compliance of Accounting Standard 22 viz. Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the company has written back to current year's profits an amount of Rs.100855/-.

## THE UNITED WESTERN BANK LIMITED



The significant component & classification of Deferred Tax Liability on account of timing difference for the quarter ended 30th June 2005 is :

(Amount in Rs.)

For the Year/Period ended	30.09.2005	31.03.2005
Deferred Tax Liability		
Differential W.D.V.	1908163.00	2030861.00
Net Deferred Tax Liability on Amount @ 33.66%(36.5925%)	642288.00	743143.00

### 5. Related Party Disclosures

As per Accounting Standards (AS) 18, Related Party Disclosures issued by The Institute of Chartered Accountants of India, the transactions between the Company & related parties and the outstanding balances as on 30th September 2005 are disclosed below.

Transactions between the Company & related parties and the outstanding balances as on September 30, 2005 and March 31, 2005 are disclosed below :

For the Year/Period ended	30.09.2005		31.03.2005	
	Amount Rs.	Total Rs.	Amount Rs.	Total Rs.
Reimbursement of Salary & Allowances of Employees on Deputation including arrears of salary (other than Managing Director)	746491.06		914383.48	
Reimbursement of Petrol Expenses to Managing Director including arrears of salary -including traveling expenses	102821.00		194870.67	
Remuneration to Managing Director deputed by UWB including Drivers Salary & Quarter Rent	534347.00		654193.33	
<b>Total</b>		<b>1383659.06</b>		<b>1763447.48</b>
Rent of Premises Paid to UWB	300000.00		600270.00	
Bank Charges & Commission	8987.80		14279.00	
Locker Rent Paid	1348.00		77.00	
Electricity charges of Nariman Point Office	80489.00		146327.00	
Deposits placed with UWB at the end of the year	54241000.00		35495000.00	
Balance in Current A/c with UWB	1135533.00		2316796.74	
Balance in Saving Bank A/c with UWB	<b>2916861.00</b>	<b>58684218.80</b>	<b>3096333.80</b>	<b>41669083.54</b>

(Amount in Rs.)

For the Year/Period ended	31.03.2003	31.03.2004	31.03.2005	30.09.2005
Rent Paid by the WITECO to the Bank	240538	450540	600270	300000
Rent Paid by the Bank to the WITECO		147072	229632	114816

(Amount in Rs.)

For the Year/Period ended	30.09.2005	31.03.2005
Rent Collection Fees received from Bank	1690.40	2939.00
Rent of Premises received from Bank	114816.00	229632.00
Interest received on fixed deposits at normal rates from Bank	1631718.00	2385843.37



(Rs. in crore)

For the Year/Period ended	31.03.2003	31.03.2004	31.03.2005	30.09.2005
Deposits with the Bank	0.90	2.14	3.55	5.42
Refinancing Outstanding	Nil	Nil	Nil	Nil
Purchase of Securities	Nil	Nil	Nil	Nil
Sale of Securities	Nil	Nil	Nil	Nil
Interest Received	0.10	0.13	0.24	0.16
Interest Paid	Nil	Nil	Nil	Nil

(Amount in Rs.)

Key Management Personnel Remuneration	Half year ended 30.09.2005	Year ended 31.03.2005
Managing Director	534347.00	849064.00
<b>6. Payment to Auditors:</b>	<b>Half year ended 30.09.2005</b>	<b>Year ended 31.03.2005</b>
Statutory/Tax	45101.00	91710.00
For other services	—	10000.00
Reimbursement of Expenses	5454.00	4181.00

#### 7. Particulars of Employees

Information pursuant to Sec.217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees Rules, 1975) which forms part of this report is not given as none of the employees comes under this category.

8. Previous half years figures have been regrouped and rearranged wherever necessary to conform to the current quarter's presentation.

#### ANNEXURE B

##### Part – III:

#### SIGNIFICANT CHANGES IN ACCOUNTING POLICIES BETWEEN 01.04.2001 AND 30.09.2005.

- From the year Financial Year 2001-2002 Company follows Cash Basis of Accounting for purpose of Income Tax. Accordingly Income Tax Returns for Assessment Year 2002-03, 2003-04, 2004-05 were filed with Income Tax Department under Cash Basis of Accounting for computation.
- From the Financial Year 2004-2005 Company follows Mercantile Basis of Accounting for the purpose of Income Tax also. Accordingly, Income Tax Return for the Assessment Year 2005-06 had been filed with Income Tax Department under Mercantile Basis of Accounting for computation.

#### AUDITORS QUALIFICATIONS FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT

There are no material audit qualifications for which adjustments could not be carried out in the accounts for the period 01.04.2001 to 30.09.2005.

Adjustments resulting from audit qualifications, material amounts relating to adjustments for previous years and





changes in accounting policies as per SEBI guidelines are given as under :

(Rs. in crore)

<b>For the Year/ Half Year ended</b>	<b>31.03.2003</b>	<b>31.03.2004</b>	<b>31.03.2005</b>	<b>30.09.2005</b>
Net Profit for the Year	2.78	2.33	1.52	1.17
Less: Adjustments of Deferred Tax Provision	0.44	0.31	0.01	—
Add: Adjustments of Deferred Tax Provision Written Back	—	—	0.68	0.01
Adjusted Profit	2.34	2.02	2.21	1.18

**Annexure: A Part V Various Financial Ratios**

<b>Particulars</b>	<b>31.03.2001</b>	<b>31.03.2002</b>	<b>31.03.2003</b>	<b>31.03.2004</b>	<b>31.03.2005</b>	<b>30.09.2005</b>
Earning Per Share (Rs.)	45.10	230.85	468.09	404.52	441.08	235.64
Return on Net Worth (%)	42.36	69.34	63.27	35.52	27.16	12.67
New Worth = Paid Up Capital plus Reserves less Revaluation Reserve & Deferred Tax Liability	5322775	16643135	36992584	56937021	81195434	92977635
PAT including DTL Write back	2254992	11540760	23404559	20226154	22054210	11782201
Net Asset Value Per Share (Rs.)	106.46	332.86	739.85	1138.74	1623.91	1859.55
NAV= Total Assets less DTL & Revaluation Reserve	5322775	16643135	36992584	56937021	81195434	92977635



STATEMENT OF CONSOLIDATED PROFIT AND LOSS OF THE UNITED WESTERN BANK LTD.

			(Rs. in crore)
For the Year ended	31.03.2005	31.03.2004	31.03.2003
<b>I. Income</b>			
Interest earned	486.62	462.74	477.25
Other income	70.79	137.79	148.89
<b>Total Income</b>	<b>557.41</b>	<b>600.53</b>	<b>626.14</b>
<b>II. Expenditure</b>			
Interest expended	339.85	340.76	358.15
Operating expenses	130.47	123.60	126.26
Provisions and contingencies	183.52	103.18	111.88
<b>Total Expenditure</b>	<b>653.84</b>	<b>567.54</b>	<b>596.29</b>
Profit net of inter company transactions	(96.43)	32.99	29.85
Earnings/(Loss) in Associates			
Consolidated Net profit/(loss) for the year before deducting Minorities' Interest	(96.43)	32.99	29.85
Less: Minorities' Interest	0.64	0.59	0.68
Consolidated profit/(loss) for the year attributable to the group	(95.79)	32.40	29.17
Add: Brought forward consolidated profit/(loss) attributable to the group	3.43	4.05	7.57
Less: Floating Provision	-	-	5.00
Profit available of appropriation	(92.36)	36.45	31.74
<b>III. Appropriations</b>			
Transfer from Revenue Reserves	59.15	-	-
Transfer to Statutory Reserves	-	7.80	6.90
Transfer to Capital Reserve	-	0.03	-
Transfer to Special Reserve	0.50	0.50	-
Transfer to General reserves	1.64	3.22	0.88
Transfer to Investment Fluctuation Reserve	-	19.75	15.50
Proposed dividend & tax thereon	0.06	5.09	5.07
Balance carried over to consolidated balance sheet	(35.41)	0.06	3.39
<b>Total</b>	<b>(92.36)</b>	<b>36.45</b>	<b>31.74</b>
<b>EARNING PER EQUITY SHARE (Rs.)</b>	<b>2004-2005</b>	<b>2003-2004</b>	<b>2002-2003</b>
Basic	(32.05)	10.84	9.76
Diluted	(26.71)	9.03	8.13



STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES OF THE UNITED WESTERN BANK LTD.

(Rs. in crore)

As on	31.03.2005	31.03.2004	31.03.2003
<b>A. ASSETS</b>			
Cash and Balances with Reserve Bank of India	373.82	357.18	342.22
Balances with Banks and money at call and short notice	237.07	283.47	250.39
Investments	2102.30	2413.09	1915.04
Loans & Advances	3976.28	3744.47	3145.45
Fixed Assets (Net of Revaluation Reserve)	87.30	93.52	89.45
Other Assets	290.00	228.15	208.14
<b>Total (A)</b>	<b>7066.77</b>	<b>7119.88</b>	<b>5950.69</b>
<b>B. LIABILITIES</b>			
Minorities Interest	2.43	1.69	1.14
Deposits	6448.78	6427.53	5389.82
Borrowings	37.89	60.03	51.74
Other Liabilities and Provisions	350.36	345.86	250.45
<b>Total (B)</b>	<b>6839.46</b>	<b>6835.11</b>	<b>5693.15</b>
<b>C. NET ASSETS (C = A – B)</b>	<b>227.31</b>	<b>284.77</b>	<b>257.54</b>
Represented by:			
<b>D. Share Capital</b>	29.89	29.89	29.89
<b>E. Reserves &amp; Surplus</b>	<b>197.42</b>	<b>254.88</b>	<b>227.65</b>
<b>F. Total (D + E)</b>	<b>227.31</b>	<b>284.77</b>	<b>257.54</b>
<b>G. Contingent liabilities</b>	724.32	817.64	854.27
Bills for collection	802.01	740.85	343.59

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Basis of preparation

The consolidated financial statements comprise of the financial statement of The United Western Bank Ltd. and its subsidiary The western India Trustee & Executor Company Ltd. (WITECO) Bank's holding in The western India Trustee & Executor Company Ltd. as at 31/03/2005 is 70.86 per cent.

The financial statements of the Bank and its subsidiary have been combined on a line to line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating the intra group balances and intra group transactions, except wherever otherwise stated. The consolidated financial statements have been prepared in accordance with the Accounting Standard issued by the Institute of Chartered Accountants of India, and guidelines issued by the respective regulatory authorities from time to time.

The subsidiary has used accounting policies, which are different from those adopted by the Bank, in certain cases, for like transactions and events in similar circumstances. No adjustments have been made to the financial statement of the subsidiary when they are used in preparing the consolidated financial statements.

The accounting policies of the subsidiary company to the extent they are inconsistent with the accounting policy of the Bank are as under :-

1. Clients' deposits :

Balance in clients' deposit account is net of investments, fixed deposits and other accounts with Banks held on client's account.

2. Revenue from Trusteeship fees in cases where one time fees are negotiated in respect of Securitisation / Share warehousing / Venture Capital/Settlership etc. is recognized as under:

A part of such fees either Rs. 1,00,000 or Rs. 25,000 depending upon the total fees charged is appropriated towards Acceptance fees and the balance fee is appropriated over a period for which such trusteeship is undertaken.



**2. Related Parties Disclosures :**

**(i) Key Management personnel :**

Name of the Related Party	Name of Relative/Relation
(a) Shri S. K. Marathe	(Chairman & CEO)
(b) Shri N. J. Mathure	(Managing Director)

**(ii) Details of Transactions relating to persons referred to in item (i) above :**

Remuneration paid to

i) Shri. S. K. Marathe	(Chairman)
Remuneration	Rs. 8,25,000/-
Perquisites	Rs. 1,17,134/-
ii) Shri N. J. Mathure	
Remuneration & Perquisites	Rs. 8,49,064/-

**3. Basic EPS and Diluted EPS :**

Basic Earning per share is Rs. (32.05) (previous year Rs. 10.84) is calculated based on the Net Profit for the year (after provision for taxation) and the average number of Equity Shares outstanding during the year of 2,98,87,722.

**Reconciliation between basic and diluted earnings per equity share :**

	2004-2005	2003-2004
Nominal value per share (Rs.)	10.00	10.00
1. Basic earnings per share (Rs.)	(32.05)	10.84
2. Effect of potential bonus equity shares per share (Rs.)	5.34	1.81
3. Diluted earnings per share (Rs.)	(26.71)	9.03

Basic earning per share has been computed by dividing net profit for the year by weighted average number of equity shares outstanding during the period. Diluted earning per share has been computed by dividing net profit for the year by weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

**The following is the reconciliation of the earnings used in the computation of basic and diluted earnings per share:**

	2004-2005	2003-2004
1. Earnings used in Basic earnings per share (Rs.'000)	(96,43,44)	32,39,57
2. Impact on profit of potential bonus issue (Rs.'000)	NIL	NIL
3. Earnings used in diluted earnings per share (Rs.'000)	(96,43,44)	32,39,57

Reconciliation of weighted average number of equity shares used as denominator in computing basic and diluted earnings per share :

	2004-2005	2003-2004
1. Weighted average number of equity shares used as denominator in computing Basic (EPS)	2,98,87,722	2,98,87,722
2. Effect of potential issue of Bonus shares	59,77,545	59,77,545
3. Weighted average number of equity shares used as denominator in computing diluted EPS	3,58,65,267	3,58,65,267



4. Segment Reporting :

(Rs. in crore)

Business Segments	Treasury		Other Banking Operations		Residuary Operations		Total	
	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
Particulars								
Revenue	184.87	275.44	367.46	320.39	5.09	4.70	557.42	600.53
Result	27.67	105.56	70.03	41.14	3.66	3.41	101.36	150.11
Unallocated Expense (including provisions)							195.43	99.56
Profit before tax							(94.07)	50.55
Income Taxes							2.36	17.56
Extraordinary Profit / Loss							0.00	0.00
Net Profit							(96.43)	32.99
OTHER INFORMATION								
Segment Assets	2269.46	2608.04	4292.55	4027.43	5.67	3.96	6567.68	6639.43
Unallocated Assets							521.57	503.79
Total Assets	7089.24	7143.22						
Segment liabilities	2583.85	2800.99	4037.53	3865.43	9.69	3.88	6631.06	6670.30
Unallocated Liabilities							458.18	472.92
<b>Total Liabilities</b>							<b>7089.24</b>	<b>7143.22</b>

Notes :

Expenses, assets and liabilities wherever directly related to segments have been accordingly allocated to segment and wherever not directly related have been allocated on the appropriate basis

1. The Bank has recognised Business Segment as the Primary reporting Segment and no geographical segment is recognised in view of the fact that the Bank has only domestic operations. The Business Segments are identified as :

- Treasury Operations (includes dealing in Government and other securities, Money Market Operations and Forex Operations in India)
- Other Banking Operations- includes all other banking operations other than treasury operations.

2. Basis of allocation to Treasury Segment :

Interest paid is allocated on the basis of average cost of average funds utilised by Treasury.

Employee cost is allocated in the ratio of average funds utilised to average deposits and borrowings.

Average cost of funds is the ratio of interest paid to average working funds deployed.

**Miscellaneous expenses are allocated on the basis of percentage of Segment Revenue.**

5. Cash Flow Statement :

(Rs. in crore)

Particulars	31.3.2005	31.3.2004
<b>Net Profit /(Loss) as per P&amp;L a/c</b>	<b>(96.43)</b>	<b>32.99</b>
Adjustment for-		
Depreciation on Fixed Assets	14.78	14.52
Lease Equalisation Charge	0.82	1.20
Provisions & Contingencies	183.52	103.17
(Profit)/Loss on sale of Fixed Assets	0.07	—
Expenses/(Income) not related to Operating activities	14.83	16.05
<b>Operating profit before working capital changes</b>	<b>117.59</b>	<b>167.93</b>



(Rs. in crore)

Particulars	31.3.2005	31.3.2004
Adjustment for-		
(Increase)/Decrease in Investments	242.86	(509.37)
(Increase)/Decrease in Advances	(322.95)	(674.87)
Increase/(Decrease) in borrowings	(22.14)	8.29
Increase/(Decrease) in Deposits	21.25	1037.71
(Increase)/Decrease in Other Assets	(27.37)	(36.14)
Increase/(Decrease) in Other Liabilities & Provisions	(12.07)	95.35
<b>Cash Flow from Operating Activities</b>	<b>(2.83)</b>	<b>88.90</b>
Purchase of Fixed Assets	(10.53)	(20.28)
Sale of Fixed Assets	0.15	0.57
<b>Net Cash used in Investment activities</b>	<b>(10.38)</b>	<b>(19.71)</b>
Cash Flow from Financing Activities		
Interest on Subordinated Bonds	(14.83)	(16.05)
Dividend paid (including Tax)	(1.71)	(5.09)
Expenses for increase of Authorised Capital		
<b>Net Cash generated from Financing activities</b>	<b>(16.54)</b>	<b>(21.14)</b>
Net Increase/(Decrease) in Cash & Cash equivalents	(29.75)	48.05
Cash & Cash equivalents at the beginning of the year	640.65	592.60
Cash & Cash equivalents at the end of the year	610.89	640.65
<b>Note:</b> Figures of previous year have been regrouped wherever necessary.		

**6. Previous Year's Figures :**

Previous years figures have been regrouped/reclassified wherever considered necessary to confirm with the current year's presentation.

**ADDITIONAL INFORMATION**

**1. Major components of Deferred Tax Assets / Liabilities :**

(Rs. in crore)

Particulars	2002-03	2003-04	2004-05
Deferred Tax Assets:			
Provision for Non Performing advances	38.39	39.38	39.38
Provision for Non Performing investments	4.50	3.88	4.01
Staff Costs	5.08	5.80	6.52
Others	6.41	8.13	13.14
<b>Sub-total</b>	<b>54.38</b>	<b>57.19</b>	<b>63.06</b>
Less: Deferred Tax Liabilities:			
Depreciation on Fixed assets	7.49	8.88	8.26
<b>Interest on securities</b>	<b>12.80</b>	—	—
<b>Others</b>	<b>0.76</b>	1.04	—
<b>Sub-total</b>	<b>21.05</b>	<b>9.92</b>	<b>8.26</b>
Deferred Tax Asset	33.33	47.27	54.80



2. Segment Reporting :

(Rs. in crore)

Business Segments	Treasury			Other Banking Operations			Residuary Operations			Total		
	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005	31.03.2003	31.03.2004	31.03.2005
Revenue	282.41	275.44	184.87	339.45	320.39	367.46	4.28	4.70	5.09	626.14	600.53	557.42
Result	105.84	105.56	27.67	42.54	41.14	70.03	3.58	3.41	3.66	151.96	150.11	101.36
Unallocated Expense (including provisions)										120.22	99.56	195.43
Profit before tax										31.74	50.55	(94.07)
Income Taxes										1.89	17.56	2.36
Extraordinary Profit/Loss										0.00	0.00	0.00
Net Profit										29.85	32.99	(96.43)
<b>OTHER INFORMATION</b>												
Segment Assets	2085.06	2608.04	2269.46	3429.60	4027.43	4292.55	3.25	3.96	5.67	5517.91	6639.43	6567.68
Unallocated Assets										456.89	503.79	521.57
<b>Total Assets</b>										<b>5974.80</b>	<b>7143.22</b>	<b>7089.24</b>
Segment liabilities	2311.33	2800.99	2583.85	3251.44	3865.43	4037.53	4.43	3.88	9.69	5567.20	6670.30	6631.06
Unallocated Liabilities										407.60	472.92	458.18
<b>Total Liabilities</b>										<b>5974.80</b>	<b>7143.22</b>	<b>7089.24</b>

Notes :

Expenses, assets and liabilities wherever directly related to segments have been accordingly allocated to segment and wherever not directly related have been allocated on the appropriate basis

1. The Bank has recognised Business Segment as the Primary reporting Segment and no geographical segment is recognised in view of the fact that the Bank has only domestic operations. The Business Segments are identified as :

a) Treasury Operations (includes dealing in Government and other securities, Money Market Operations and

Forex Operations in India)

b) Other Banking Operations- includes all other banking operations other than treasury operations.

2. Basis of allocation to Treasury Segment :

Interest paid is allocated on the basis of average cost of average funds utilised by Treasury.

Employee cost is allocated in the ratio of average funds utilised to average deposits and borrowings.

Average cost of funds is the ratio of interest paid to average working funds deployed.

Miscellaneous expenses are allocated on the basis of percentage of Segment Revenue.



3. Cash Flow Statement :

(Rs. in crore)

Particulars	31.3.2003	31.3.2004	31.3.2005
Cash Flow from Operating Activities			
Net Profit /(Loss) as per P&L A/c	29.16	32.99	(96.43)
Adjustment for-			
Depreciation on Fixed Assets	10.93	14.52	14.78
Lease Equalisation Charge	1.60	1.20	0.82
Provisions & Contingencies	111.44	103.17	183.52
(Profit)/Loss on sale of Fixed Assets	(0.13)	0.00	0.07
Expenses/(Income) not related to Operating activities	14.38	16.05	14.83
<b>Operating profit before working capital changes</b>	<b>167.38</b>	<b>167.93</b>	<b>117.59</b>
Adjustment for-			
(Increase)/Decrease in Investments	(235.98)	(509.37)	242.86
(Increase)/Decrease in Advances	(588.07)	(674.87)	(322.95)
Increase/(Decrease) in borrowings	(146.05)	8.29	(22.14)
Increase/(Decrease) in Deposits	898.79	1037.71	21.25
(Increase)/Decrease in Other Assets	17.49	(36.14)	(27.37)
Increase/(Decrease) in Other Liabilities & Provisions	43.73	95.35	(12.07)
Cash Flow from Operating Activities	157.29	88.90	(2.83)
Purchase of Fixed Assets	(18.93)	(20.28)	(10.53)
Sale of Fixed Assets	0.22	0.57	0.15
Net Cash used in Investment activities	(18.71)	(19.71)	(10.38)
Cash Flow from Financing Activities			
Interest on Subordinated Bonds	(14.39)	(16.05)	(14.83)
Dividend paid (including Tax)	(4.48)	(5.09)	(1.71)
Expenses for increase of Authorised Capital			
Net Cash generated from Financing activities	(18.87)	(21.14)	(16.54)
Net Increase/(Decrease) in Cash & Cash equivalents	119.71	48.05	(29.75)
Cash & Cash equivalents at the beginning of the year	472.89	592.60	640.65
Cash & Cash equivalents at the end of the year	592.60	640.65	610.89

Note: Figures of previous year have been regrouped wherever necessary.





**WORKING RESULTS AND OTHER INFORMATION**

Information as required to be given vide Ministry of Finance circular No. F2/5/SE/76 dated February 5, 1977 read with circular of even number dated March 8, 1977 is given below:

1. Working results of the Bank (Unaudited) for the half-year ended September 30, 2005 given below:

<b>Particulars</b>	<b>Amount (Rs. in crore)</b>
Interest earned	242.80
Other Operating Income	33.16
Total Income	275.96
Profit Before Depreciation & Tax	46.17
Depreciation	6.98
Provisions & Contingencies (including provision for tax)	66.74
Net Profit/(Loss)	(27.55)

2. There are no material changes and commitments affecting the financial position of the Bank since the date of the last Balance Sheet save as mentioned on page no. 109 of this Letter of Offer.

3. (a) Week-end Prices for the last four weeks on the National Stock Exchange is as follows:

Period	High (Rs.)	Low (Rs.)
December 30, 2005	62.00	60.00
December 23, 2005	64.75	63.00
December 16, 2005	68.40	64.50
December 09, 2005	65.00	63.00

(b) Current price of the equity shares of the Bank on the National Stock Exchange as on December 30, 2005 is Rs. 61.40.

**PARTICULARS REGARDING LISTED COMPANIES UNDER THE SAME MANAGEMENT WHICH HAVE MADE CAPITAL ISSUES DURING THE LAST THREE YEARS**

There are no listed companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956, which have come out with a Public or a Rights Issue.



**MANAGEMENT DISCUSSION & ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Shareholders should read the following discussion of Bank's financial condition and results of operations together with audited financial statements for each of the financial year ended March 31, 2002, 2003, 2004 and 2005, including the notes thereto and the reports thereon, which appears on page no. 130 of this Letter of Offer. The following discussion is based on audited financial statements for financial year 2002, 2003, 2004 & 2005, which have been prepared in accordance with Accounting Standards applicable in India, and on information available from other sources. Our financial year-ends on March 31 of each year, so all references to a particular fiscal are to the twelve-month period ended March 31 of that year. Unless otherwise indicated, all financial and statistical data relating to the Banking industry in the following discussion is derived from various industries reports.

(Rs. in crore)

For the Year/Period ended	31.03.2003	31.03.2004	31.03.2005	30.09.2005
<b>I. INOCME</b>				
<b>1 Interest Earned on</b>				
1.1 Interest and discount on advances/bills	285.24	270.87	303.18	154.06
1.2 Income on investment	174.54	178.78	168.58	85.08
1.3 Interest on balances with RBI and other inter -Bank deposits	15.57	12.02	8.48	3.56
1.4 Others	1.79	1.06	6.38	0.10
<b>2 Other Income</b>				
2.1 Commission, Exchange and brokerage	27.98	27.42	28.18	15.06
2.2 Profit on exchange transactions (net)	8.04	8.56	10.36	5.01
2.3 Profit on sale of investments (net)	90.04	76.05	1.90	1.65
2.4 Profit on sale of Land, building & other assets (net)	0.14	—	(0.07)	(0.03)
2.5 Income from Dividends	—	0.02	0.02	0.04
2.6 Profit /(Loss) on revaluation of Investments (Net)	—	—	—	—
2.7 Miscellaneous Income (net)	18.54	21.12	25.38	11.43
<b>Total Income</b>	<b>621.88</b>	<b>595.90</b>	<b>552.39</b>	<b>275.96</b>
<b>II EXPENDITURE</b>				
<b>1 Interest Expended</b>				
1.1 On Deposits	337.78	321.14	322.20	159.61
1.2 On RBI/ inter Bank borrowings	6.38	3.69	3.02	1.39
1.3 On Tier II Bonds	14.09	16.05	14.83	5.73
1.3 On Others	—	—	0.04	—
<b>2 Operating Expenses</b>				
2.1 Payments to and provisions for employees	85.87	75.71	75.90	42.10
2.2 Rent, taxes and lighting	7.68	8.88	11.16	6.50
2.3 Printing and stationery	2.21	1.99	2.11	1.02
2.4 Advertisement and publicity	0.60	1.50	1.26	0.32
2.5 Depreciation on Bank's property	10.90	14.35	14.52	6.98



2.6 Directors' Fees, allowances & expenses	0.10	0.13	0.25	0.12
2.7 Auditors' Fees & Expenses	0.57	0.58	0.62	0.35
2.8 Law charges	0.74	1.51	1.30	0.43
2.9 Postage, Telegrams, Telephones, etc	1.36	2.21	2.77	0.78
2.10 Repairs and Maintenance	1.04	2.45	4.08	3.13
2.11 Insurance	2.26	2.51	4.54	3.00
2.12 Other Expenditure	12.24	10.40	10.37	5.31
<b>Total Expenditure</b>	<b>483.82</b>	<b>463.10</b>	<b>468.96</b>	<b>236.77</b>
Gross Profit before Tax and extraordinary items	138.06	132.80	83.42	39.19
Less: Extra ordinary items	—	—	—	—
Gross Profit before provision for tax	138.06	132.80	83.42	39.19
Less: Provisions and contingencies	110.56	101.84	182.06	66.74
Net Profit/(Loss) for the year	27.50	30.96	(98.64)	(27.55)
Add: Balance of Profit/(Loss) brought forward	6.69	1.73	0.06	—
Write back of Dividend recommended for F.Y. 2003-04 but not approved	—	—	3.37	—
Less: Floating provision for NPA	5.00	—	—	—
Add: Transfer from Revenue and other Reserve	—	—	—	—
Prior Period Adjustment	—	—	—	—
(Loss)/Profit Available for appropriation	29.19	32.69	(95.21)	—
<b>APPROPRIATIONS</b>				
Transfer from Revenue and other Reserve	—	—	59.15	—
Transfer to Statutory Reserves	6.90	7.80	—	—
Transfer to Capital Reserves	—	0.02	—	—
Transfer to Investment Fluctuation Reserve	15.50	19.75	—	—
Transfer to Revenue and other Reserve	—	—	—	—
Proposed dividend (including tax)	5.06	5.06	—	—
Balance carried to Balance Sheet	1.73	0.06	(36.06)	—

### Income

Income as a component in Bank's operations constitutes of Interest Income and Other income.

#### Interest Income

An important measure of Bank's performance is reflected in interest earned. Interest income is dependent on volumes of advances and interest rates. For the Bank, interest income mainly comprises of Interest and Discount on advances and Income on investment. Interest and Discount on advances refer to interest income earned on advances disbursed and discounting of bills purchased in the ordinary course of business. The Bank has also invested in government securities on which it is earning interest.

#### Other income

Other income of the Bank mainly comprises of Commission, brokerage, profit on sale of investment in ordinary course of business, profit on foreign exchange transactions.

#### Interest expended

Interest expended mainly comprises of interest paid on deposits and other borrowings.

**Operating expenses**

Other expenses mainly comprise of staff cost and administration and operating cost like rent charges, printing, electricity etc. incurred in normal course of business.

**Comparison of significant items of income and expenses for the half-year ended September 30, 2005 and the financial year ended March 31, 2005.***Interest Income:*

The Bank recorded an interest income of Rs. 242.80 crore during the half-year ended September 30, 2005 compared to Rs. 486.61 crore earned in financial year 2004-05. The total advances of the Bank as on September 30, 2005 were Rs. 3396.24 crore compared to Rs. 3976.28 crore as on March 31, 2005. The yield on advances comes to 8.27 per cent for half-year ended September 30, 2005 and 8.31 per cent for financial year ended March 31, 2005 and for the same period the yield on Investment was 7.50 per cent and 7.40 per cent respectively, when compared on annualised basis.

*Other Income:*

The other income of the Bank stood at Rs. 33.15 crore for half-year ended September 30, 2005 compared to Rs. 65.77 crore for financial year 2004-05.

*Interest expended:*

The total interest expended during first half-year is Rs. 166.73 crore compared to Rs. 340.09 crore for the financial year 2004-05. The total deposits of the Bank as on September 30, 2005 were Rs. 5956.21 crore compared to Rs. 6452.87 crore as on March 31, 2005. The cost of deposit comes to 5.33 per cent for the half-year ended September 30, 2005 and 5.52 per cent for financial year ended March 31, 2005, when compared on annualised basis.

*Operating expenses:*

Operating expenses incurred during half-year ended September 30, 2005 are Rs. 70.03 crore and Rs. 128.87 crore during financial year 2004-05.

*Net Profit:*

For the half-year ended September 30, 2005 the Bank has incurred loss of Rs. 27.55 crore compared to net loss of Rs. 98.64 crore for financial year 2004-05. The loss is mainly attributed to depreciation of G-sec portfolio while making it mark-to-market.

**Comparison of significant items of income and expenses for the financial year ended March 31, 2005 and the financial year ended March 31, 2004.***Interest Income:*

Interest income has gone up by 5.16 per cent from Rs. 462.73 crore for 2003-04 to Rs. 486.62 crore for the year ended 2004-05. Increase in interest income is attributed to increase in interest and discount on advances and other income. The total interest on advances registered 11.92 per cent rise from Rs. 270.87 crore to Rs. 303.18 crore. The increase in interest on advances can be attributed to increase in the total advances from Rs. 3744.47 crore in 2003-04 to Rs. 3976.28 crore in 2004-05. Income from investment has come down by 5.70 per cent, i.e., from Rs. 178.78 crore in 2003-04 to Rs. 168.58 crore in 2004-05. Investment has shown declined trend from Rs. 2413.12 crore in 2003-04 to Rs. 2102.35 crore in 2004-05 due to fall in interest rate regime and lesser opportunities. Other components of interest income have not shown much variation.

*Other Income:*

Other income of the Bank decreased by 50.61 per cent from Rs. 133.17 crore in 2003-04 to Rs. 65.77 crore in 2004-05. Decrease in other income is mainly attributed to decrease in profits from sale of investment as a result of upward movement in interest rates. Commission & brokerage has marginally improved from Rs. 27.42 crore in 2003-04 to Rs. 28.18 crore in 2004-05. Other components of income have remained almost same during 2003-04 and 2004-05.

*Interest expended:*

Total interest expended has remained almost same during 2003-04 and 2004-05. There is slight increase in interest on deposit 0.33 per cent during 2004-05 as compared to last year 2003-04. Other components of interest cost are almost same in 2003-04 and 2004-05. However, average cost of deposits is reduced from 6.90 per cent in 2003-04 to 5.52 per cent in 2004-05.

*Operating expenses:*

Operating expenses have increased by 5.45 per cent from Rs. 122.22 crore in 2003-04 to Rs. 128.88 crore in 2004-05. Increase in operating cost is attributed to overall increase in Rent, Taxes, Repairs & Maintenance cost in normal course of business.

*Net Profit:*

During the year 2004-05, the Bank has incurred loss of Rs. 98.64 crore (after transfer of Rs. 59.15 crore from Revenue and other Reserves, the carried forward loss to the Balance Sheet is Rs. 36.06 crore). It is mainly attributed to increased requirement of provisions and contingencies by Rs. 80.22 crore from Rs. 101.84 crore in 2003-04 to Rs. 182.06 crore in 2004-05. The increase in NPA provisions was due to the requirement of graded provisioning as per RBI Guidelines. Prudential Write-offs have been taken to the extent of Rs. 59.15 crore during the year 2004-05. The write-offs have been accounted through "Provisions and Contingencies", though the equivalent amount has been used from Revenue Reserves by transferring it to Profit and Loss Appropriation Account. Also, in view of rising interest rate scenario, the investments portfolio entailed a depreciation of Rs. 67.00 crore. A provision of Rs. 20.65 crore was made towards the wage arrears payable to the employees to conform to the Accounting Standard – 29.

**Comparison of significant items of income and expenses for the financial year ended March 31, 2004 and the financial year ended March 31, 2003.***Interest Income:*

Interest income has decreased by 3.02 per cent from Rs. 477.14 crore in 2002-03 to Rs. 462.73 crore for the year ended 2003-04. Decrease in interest income is attributed to decrease in interest and discount on advances and interest on balances with RBI and other inter-Bank. Other components of interest income have remained almost same during 2002-03 and 2003-04.

*Other Income:*

Other income of the Bank decreased by 7.99 per cent from Rs. 144.74 crore in 2002-03 to Rs. 133.17 crore in 2003-04. Decrease in other income is mainly attributed to decrease in commission, exchange and brokerage and profits from sale of investment. Other components of other income have remained almost same during 2002-03 and 2003-04.

*Interest expended:*

Total interest expended has decreased by 4.84 per cent from Rs. 358.25 crore in 2002-03 to Rs. 340.88 crore in 2003-04. There is decrease in interest on deposit by 4.92 per cent during 2003-04 as compared to last year 2002-03. Other components of interest expended have remained almost same during 2002-03 and 2003-04.

*Operating expenses:*

Operating expenses have declined by 2.66 per cent from Rs. 125.57 crore in 2002-03 to Rs. 122.22 crore in 2003-04.

*Net Profit:*

Net Profit of the Bank has increased from Rs. 27.50 crore in 2002-03 to Rs. 30.96 crore in the year 2003-04 showing an increase of 12.58 per cent.

**Comparison of significant items of income and expenses for the financial year ended March 31, 2003 and the financial year ended March 31, 2002.**

***Interest Income:***

Interest income has decreased by 3.10 per cent from Rs. 492.40 crore in 2001-02 to Rs. 477.14 crore for the year ended 2002-03. Decrease in interest income is attributed to decrease in interest and discount on advances and interest on balances with RBI and other inter-Bank. Other components of interest income have remained almost same during 2001-02 and 2002-03.

***Other Income:***

Other income of the Bank decreased by 5.15 per cent from Rs. 152.60 crore in 2001-02 to Rs. 144.74 crore in 2002-03. Decrease in other income is mainly attributed to decrease in commission, exchange and brokerage and profits from sale of investment. Other components of other income have remained almost same during 2001-02 and 2002-03.

***Interest expended:***

Total interest expended has decreased by 8.40 per cent from Rs. 391.11 crore in 2001-02 to Rs. 358.25 crore in 2002-03. There is decrease in interest on deposit by 8.22 per cent during 2002-03 as compared to 2001-02. Other components of interest expended have remained almost same during 2001-02 and 2002-03.

***Operating expenses:***

Operating expenses have increased by 25.02 per cent from Rs. 100.44 crore in 2001-02 to Rs. 125.57 crore in 2002-03. Increase in operating cost is attributed to overall increase in Payments to and provisions for employees, Rent, Taxes, & other expenditure in normal course of business.

***Net Profit:***

Net Profit of the Bank has increased from Rs. 25.76 crore in 2001-02 to Rs. 27.50 crore in the year 2002-03 showing an increase of 6.75 per cent.

***Other matters:*****Unusual or infrequent events and transactions:****2004 – 2005**

1. As per the option given by RBI, the Bank had prudently transferred certain SLR securities from AFS to HTM category of Investments and the resultant depreciation of Rs. 42.63 crore had to be charged to Profit and Loss Account.
2. As per the Industry level agreement signed on June 2, 2005, the Bank has made provision of Rs. 20.65 crore for wage arrears payable to employees to conform to the Accounting Standard - 29.
3. Transfer from Revenue Reserve to Profit and Loss Appropriation Account to the extent of Rs. 59.15 crore has restricted the losses carried to Balance Sheet at Rs. 36.06 crore.

**2002 – 2003**

1. Leave encashment liability accounted for on 'accrual' basis instead of 'pay as you go' basis previously followed decreased Revenue Reserves by Rs. 11.53 crore and an amount of Rs. 2.64 crore was charged Profit and Loss Account.
2. Recognition of Deferred Tax Assets and Liabilities in accordance with AS-22 resulted in addition of Rs. 20.12 crore in Revenue Reserves and deferred income tax expenses of Rs. 13.93 crore.
3. The method for determining cost for valuation of Investments, in Held for Trading category and Available for Sale category changed from FIFO to Weighted Average Method and thereby increased profit to the extent of Rs. 1.50 crore.
4. A floating provision of Rs. 5 crore against NPA was made out of balance lying in Profit and Loss Account instead of charging to the same.



Other than above, to our knowledge there are no events that may be described as unusual or infrequent events and transactions.

**Significant economic/regulatory changes**

Changes in the interest rate structure that is any upward or downward movement in interest rate may affect securities portfolio, cost of new / renewed deposits and the yield on advances on variable interest rate portfolio. If there is a slowdown in the economy, it will impact the asset portfolio and may result in increase in NPAs.

**Known trends and uncertainties**

Other than as described in the section titled “Risk Factors” and “Business” in this Letter of Offer, there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Bank from continuing operations.

Other than as described in the section titled Risk Factors” and “Business” in this Letter of Offer, there are no known factors, which will have a material adverse impact on the Bank’s operation and finances.

**Extent of material increase in net income**

Refer para “Business” on page no.51 and “Management Discussion and Analysis of Financial Condition and Results of Operations” on page no. 154 of this Letter of Offer.

**Competitive Conditions**

The Bank has 309 (including extension counters and ATMs) outlets spread all over India. The large network of rural and semi urban branches ensure that a huge captive business automatically flows into the bank. In metro centres, the Bank faces stiff competition from other Banks. Our competitive position in western metro is better than the metros of other regions of the country due to large network of branches operating in western centres.

**New product or business segment**

Other than as described in the section titles “Business” in this Letter of Offer, the Bank has not launched any new product or has entered into business segments.

**MATERIAL DEVELOPMENTS**

In the opinion of the Directors of the Bank, there have been no material developments after the date of the last financial statements as disclosed in the Letter of Offer, which would materially and adversely affect or are likely to affect the trading or profitability of the Bank or the value of its assets, or its ability to pay its liabilities within the next twelve months, other than what has been already set out elsewhere in this Letter of Offer.



**OUTSTANDING LITIGATION AND DEFAULTS**

**Against the Promoters, Associate, Group companies and Subsidiaries**

There are no identifiable promoters of the Bank and such there have been no outstanding litigations against the promoters. There have been no outstanding litigations against the associate, group companies and subsidiaries also at the time of filing the Letter of Offer for this Rights Issue.

**Cases filed Against the Bank:**

**Litigation involving Criminal Cases as on September 30, 2005:**

S. No.	Background of the Case	Branch/Name of the Court before which litigations are pending	Name of Parties	Date of filing the suit/complaint	Charge/allegations	Amount involved (Rs. in lacs)	Current Status
1	Customer of the branch used to tender foreign currency, which he received as an advance payment from foreigners. This currency was accepted and Foreign Inward Remittance Certificate/Bank Realization Certificates were obtained from the branch. On the strength of these certificates the said customer sought DEPB or DBK benefits from Customs and Directorate General of Foreign Trade.	Karol Bagh, Delhi	Customs Dept. Delhi.	30.05.2005	A show cause notice is served on the Bank and one of its employees alleging violation of some sections of Customs Act.	187.70	Interim reply to the notice is submitted by the Bank. The matter is pending.
2	Proceedings are initiated by the Enforcement directorate against the Bank and some of the officials under charges of gross negligence in frauds committed by M/s Hamco in relation to the provisions of Exchange Control Manual and FERA.	Overseas	Enforcement Directorate	25.11.2003	The charge of conspiracy, instigation, engagement and aid have been alleged against the Bank and its some officials	13.50	The appeal is filed before the Appellate Tribunal for Foreign Exchange Delhi against the orders passed by the Enforcement Directorate. The appeal is at the stage of hearing.
3	It is learnt that Company Application Number 17 of 2002 and 18 of 2002 have been filed at the High Court of the Judicature of Bombay. In this application, reportedly the Bank is one of the Respondents, but the same have not been served on the Bank yet.						

**Litigation involving Civil Offences:**

**Details of cases, suits or writs with claims of more than Rs. 50 lacs as on September 30, 2005:**

S. No.	Background of the Case	Branch / Name of the Court before which litigations are pending	Name of parties	Date of filing the suit	Allegations	Amount involved (Rs.)	Current status
1	The suit is based on alleged defamation of the plaintiffs by the Bank due to informing M/s. Sanchayani, one of his clients, about the defaulter status of the plaintiffs.	Powai Naka Satara / Civil Court	Sukrut Realtors	06.09.1994	Defamation	2,00,00,000	The suit is on evidence stage.





2	The Bank had opened an account for USD 1087000, which UBSAG (plaintiff) had confirmed and later negotiated and paid a bill drawn thereunder. The Bank refused payment on the due date on the ground that investigating agency of Govt. of India had advised the Banks not to make payment pending investigation.	Overseas	Union Bank of Switzerland	26.10.1999	The Plaintiff contends that L/c is an autonomous document and should be paid by the Bank.	4,73,62,812	Preliminary pleadings over.
3	The Bank had opened an import L/c under which documents were received and paid. The plaintiff states that retirement of L/c was improper and goods were not as per L/s terms.	Overseas / NCADRC Delhi	Kulkarni Printing & Packing Ltd.	05.04.2004	Documents were not as per the terms of L/c	2,46,50,121	Bank has filed its say and prayed for dismissal of the suit.
4	The suit is for recovery of amount paid to the Bank under L/C. The plaintiff has alleged that Bank has discounted bills under forged endorsements. Another suit based on the same cause of action for same amount but between different parties is also pending before the same court.	Ahmedabad / Gujarat High Court	VXL Industries	14.09.1992	Discounting of bills under forged endorsements.	2,00,00,000	Bank has moved an application for discovery and inspection of documents. Hon'ble High Court has directed to hold joint meeting on the issue.
5	The plaintiff lodged some shares of the Bank for transfer. Out of these some of the shares were transferred in the names of the appropriate transferees. But due to objection from the company some of the share certificates were sent back to the transferees. Due to prohibition tag, these shares are still not transferred in the names of the transferees. Subsequently, the plaintiff raised an objection regarding their holding of shares and filed suit against the Bank. As the said suit is below Rs. 50 lacs but the matter is relating to shares, the suit is included in the list.	Bombay City Civil Court	Tej Gourav Finance Ltd.	23.11.2004	Plaintiff prays that Bank should issue duplicate share certificates in his name in respect of all the shares.	2000 plus issue of duplicate share certificate.	The court dismissed notice of motion and continued injunction orders till further orders.


**Details of pending cases related to Labour Laws/Courts:**

S. No.	Authority	Case No.	Disputant	Charges	Current Status
1	Industrial Court, Kolhapur	IDA 3/2002	R. R. Astekar, Ex-Agent, for Madhu Sanchay Deposit Scheme. M Rd. Kolhapur Branch	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Written Statement filed. The matter is pending.
2	Industrial Court, Kolhapur	IDA 4/2002	M. P. Bavadekar, Ex-Agent, for Madhu Sanchay Deposit Scheme. M Rd. Kolhapur Branch.	Request for regular appointment in the service of the Bank and/or compensation	Written Statement filed. The matter is pending.
3	Industrial Court, Kolhapur	IDA 5/2002	M. G. Kulkarni, Ex-Agent, for Madhu Sanchay Deposit Scheme. M Rd. Kolhapur Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Written Statement filed. The matter is pending.
4	Industrial Court, Kolhapur	IDA 6/2002	P. B. Pawar, Ex-Agent, for Madhu Sanchay Deposit Scheme. M Rd. Kolhapur Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Written Statement filed. The matter is pending.
5	Central Govt. Industrial Tribunal, Jabalpur	307/1997	Harish Parmar, Ex-Agent, for Madhu Sanchay Deposit Scheme. Durg Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Written Statement filed. The matter is pending.
6	Central Govt. Industrial Tribunal, Jabalpur	284/1997	Vipin. K. Tiwari, Ex-Agent, for Madhu Sanchay Deposit Scheme. Durg Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Written Statement filed. The matter is pending.
7	Central Govt. Industrial Tribunal, Jabalpur	318/1997	B. S. Deshpande, Ex-Agent, for Madhu Sanchay Deposit Scheme. Arvi Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Cross Examination
8	Central Govt. Industrial Tribunal, Jabalpur	158/1998	C. R. Chaturvedi, Ex-Agent, for Madhu Sanchay Deposit Scheme. Gondia Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	Filing of Rejoinder by Disputant
9	Central Govt. Industrial Tribunal, Nagpur	16/2002	M. M. Bande, Ex-Agent, for Madhu Sanchay Deposit Scheme. Varud Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	he suit is on Tevidence stage.
10	Central Govt. Industrial Tribunal, Nagpur	127/2002	A. R. Thakre, Ex-Agent, for Madhu Sanchay Deposit Scheme. Wani Branch.	Request for regular appointment in the service of the Bank and/or compensation for retrenchment.	The suit is on evidence stage.
11	Central Government Industrial Tribunal, Panji	74/1989	P. K. Kudchadkar, Ex-employee of the Bank, Panji Branch	Request for encashment of privilege leave for Rs. 48,683/- on resignation.	Writ petition filed The matter is pending.

All the above-mentioned cases are identical in nature and earlier judgements of Supreme Court in similar cases are in favour of the employers.

**Litigation involving Statutory Offences**

There have been no litigations against the Bank involving Statutory Offences.

There are no Small-scale undertakings/creditors to which the Company owes any sum exceeding one lac where payment is outstanding for a period of more than 30 days.

**Defaults**

There have been no defaults made by the Bank to its depositors, creditors, lenders, debenture holders, etc. and the payment of interest and repayment of principal on its subordinated debt have been made on the due dates. Also the bank has not defaulted in meeting any of its Statutory and Institutional dues.


**Against any other Company or Bank**

Civil suit for declaratory injunction against Industrial Investment Bank of India Ltd.

1. Industrial Investment Bank of India Ltd. (IIBI) had invested Rs. 15 crore in 14.25 per cent subordinated bonds issue 1999 of UWB having tenure of 63 months. UWB had also invested Rs. 15 crore in 10.85 per cent Preference Shares series P-N of IIBI having an equal tenure. Both the investments were maturing in the 3<sup>rd</sup> week of June 2004.
2. However on 15<sup>th</sup> March 2004, IIBI vide its communication of even date informed UWB, that it would not be in a position to redeem the Preference Shares and asked UWB to give further period of 20 years, carrying a dividend of 0.1 per cent from 1.04.2003. This proposition of IIBI was not acceptable to UWB. UWB therefore decided to set off and actually set off the mutual debts and informed IIBI accordingly. Not only this UWB filed a civil suit for declaratory injunction and requesting the court for an order prohibiting IIBI from invoking the extinguished obligation.
3. The Hon'ble Court was pleased to grant interim injunction in favour of UWB thereby restraining IIBI from invoking the debt. The matter is pending before Hon'ble Civil Judge Senior Division at Satara for its hearing and final order.

**Details of Disputed Income Tax Liability as on March 31, 2005**

As on 31.03.2005 the aggregate amount of tax involved in the Appeals in the Income Tax matters filed by the Bank against the assessments made by Income Tax Authorities is Rs. 34.37 crore and relating to Interest Tax/Wealth Tax matters is Nil. Details are as under:

(Rs. in crore)

S. No.	Date of Appeal	A.Y.	Appeal pending before	Major Grounds of Appeal	Disputed Amount	Tax Amount including interest
1.	09.03.04	1993-94	Mumbai H.C.	1. Claim of Bad Debts written-off allowed short 2. Other residual issues	1.12 0.06	0.64 0.03
2.	09.03.04 11.03.02	1994-95 1994-95	Mumbai H.C. TAT Pune	Prima-face adjustment on account of claim of Bad Debts written-off Claim of Bad Debts written-off allowed short	2.16 1.04	0.22 20.54
3.	07.05.99 11.03.02 11.03.02 08.08.02 08.08.02	1995-96 1995-96 1995-96 1995-96 1995-96	ITAT Pune ITAT Pune ITAT Pune ITAT Pune ITAT Pune	1. Prima-face adjustment on account of claim of Bad Debts written-off 2. Claim of Bad Debts written-off allowed short 3. Other residual issues 4. Claim of deduction u/s 80M allowed short 5. Depreciation on leased vehicles allowed at lower rate	3.20 3.20 0.04 0.76 1.44	0.29 1.47 0.02 0.35 0.66
4.	11.03.02 11.03.02	1996-97 1996-97	ITAT Pune ITAT Pune	1. Depreciation on leased vehicles allowed at lower rate 2. Claim of deduction u/s 80M not allowed	2.34 4.06	1.08 1.87
5.	08.02.99 03.05.99 18.05.05	1997-98 1997-98 1997-98	ITAT Pune ITAT Pune ITAT Pune	1. Prima-face adjustment on account of – - Deduction u/s 80M - Depreciation on leased vehicles 2. Prima-face adjustment on account of – - Claim of Bad Debts - Other residual issues 3. Disallowance u/s 14A Disallowance of deduction u/s 80M Claim of Bad Debts allowed short Depreciation on leased vehicles allowed at lower rate	1.32 1.68 2.28 0.03 2.07 1.32 1.25 1.71	0.11 0.14 0.20 0.01 1.24 0.79 0.75 1.02
6.	11.03.02 18.05.05	1998-99 1998-99	ITAT Pune ITAT Pune	1. Prima-facie adjustment on account of – - Claim of Bad Debts - Depreciation on leased vehicles 2. Disallowance u/s 14A Claim of Bad Debts allowed short Depreciation on leased vehicles allowed at lower rates	2.23 2.10 4.63 1.56 0.77	0.16 0.15 2.14 0.73 0.36



7.	20.01.05	99-2000	CIT (A) II Pune	1. Disallowance u/s 14A 2. Provision for Bad Debts allowed short 3. Other residual issues	6.59 0.76 0.22	2.64 0.31 0.08
8.	20.01.05	2000-01	CIT (A) II Pune	1. Disallowance u/s 14A 2. Claim of Bad Debts allowed short 3. Depreciation on leased vehicles & Other residual issues	8.49 1.81 (0.65)	3.98 0.84 (0.25)
9.	08.03.04	2001-02	CIT (A) II Pune	1. Disallowance u/s 14A 2. Loan Loss on ESOP scheme disallowed 3. Provision for Bad Debts on assessed income not allowed 4. Depreciation on leased vehicles & Other residual issues	10.00 7.43 2.08 (0.71)	3.96 2.94 0.82 (0.28)
10.	27.12.04	2002-03	CIT (A) II Pune	1. Disallowance u/s 14A 2. Claim of Bad Debts allowed short 3. Depreciation on leased vehicles & Other residual issues	7.23 2.17 (0.77)	3.55 1.06 (0.27)
11.		2002-03		Penalty u/s 271(1)(c) initiated by ACIT Satara against disallowance of earlier year expenses/penalty amount paid to RBI	0.07	0.02
<b>Total Contingent Liability</b>						<b>34.37</b>

**Notes:**

1. The Bank has made entire payment to Income Tax Dept. before filling Appeals with respective Appellate Authorities.
2. No Contingent Liability is recognized for Appeals filed by Income Tax Department against judgments in favour of the Bank.

**Other Litigations**
**A. The Reserve Bank of India**

1. On November 8, 1995 the Reserve Bank of India imposed penalty of Rs. 5.00 lakh, u/s. 47A of the Banking Regulation Act, 1949, in respect of violation of its instructions/guidelines in connection with Bridge Loan sanctioned to M. S. Shoes (East) Ltd. (MSSL) at the time of the its Public Issue. The amount was disbursed in favor of the main banker of MSSL and UWB could not keep a track of end use of funds. RBI imposed the penalty on the ground that the responsibility of ensuring the end use of the finance provided by each bank rest with that bank individually.
2. On September 5, 1997 the Reserve Bank of India imposed penalty of Rs. 5.00 lakh, u/s. 47A of the Banking Regulation Act, 1949, in respect of violation of its instructions/directives in connection with 91 Bills Discounting Transactions amounting to Rs. 78.79 crore entertained by branches in Mumbai Zone. The Bank did not follow the proper procedure of discounting the bills and later the Bank had to classify all such overdue bills as NPAs.
3. On May 30, 1998 the Reserve Bank of India imposed penalty of Rs. 10.00 lakh in respect of irregular transactions in respect of Makharia Group of Companies. The Bank had provided credit facility by way of an overdraft to M/s. Emtex Industries (India) Ltd. (Emtex) of Rs. 6.88 crore. The Bank had also sanctioned Letter of Credit facility to the group companies of Makharias. RBI observed that the credit facility granted to Emtex was done for the sole purpose of enabling Makharia group of companies to subscribe to the Rights Issue of the Bank and LC facility was provided with a view to prevent the Makharia group company's account turning into NPAs.
4. On December 29, 1998 the Reserve Bank of India issued Letter of Displeasure in respect of lapses on the part of the Bank in respect of issuance of Stock Invest at Chennai Branch. There were certain irregularities in the issuance of Stock Invest at the Chennai Branch in respect of group accounts of one Shri V. K. Jain. The Bank represented the case to RBI and restrained the Chennai Branch from issuing any Stock Invest without the permission of controlling office and later the Bank discontinued the scheme in totality.
5. On January 15, 1999, the Reserve Bank of India imposed penalty of Rs. 5.00 lakh on the grounds that the Bank had allowed Gujarat Telephone Cables Ltd., parent company of GTCL Mobilecom Technology Ltd. to use its cash credit facility for subscribing to the capital issue of the latter.



6. On May 29, 2001, the Reserve Bank of India imposed penalty of Rs. 5.00 lakh for additional Interest free loan to "UWB Ltd. Employees Equity Trust" to purchase the shares of the Bank. The Bank had obtained no objection from RBI for sanctioning of such loan to the extent of Rs. 6.00 crore, but subsequently the Bank sanctioned further Rs. 20.00 crore to the Trust for the said purpose without obtaining RBI approval for the same. RBI noticed the contravention of its instructions regarding charging of interest rate on loans and directed the Bank to recall the entire amount granted to the Trust by sale of shares and to make provision in the balance sheet for the year 2000 – 2001 against the expected loss in the loan amount based on the current market valuation of the shares. The Bank explained RBI that the sanction of loan was in conformity with the provisions of Sec. 77 (2)(b) of the Companies Act, 1956. RBI not satisfied with the explanation imposed the penalty in terms of provisions of Sec. 46 (4) read with Sec. 47A of the Banking Regulation Act, 1949.
7. On March 12, 2003 the Reserve Bank of India issued a letter of displeasure in connection with setting up of joint venture (SICOM-UWB NRI Services Ltd.) in the year 2001 with SICOM Ltd. in contravention of the provision of Section 19(2) of Banking Regulation Act, 1949 & RBI Guidelines. Thereafter the Bank has opted out of the joint venture.

**B. The Securities and Exchange Board of India**

1. On July 14, 1997 SEBI vide its letter no. PMD/OID/3429/97 restrained the Karol Bagh, New Delhi branch of the Bank from acting as Bankers to Issue for a period of 6 months effective 10.07.1997 to 09.01.1998 for accepting the share application after closure of issue in respect of Public Issue of Interads Exports Ltd.
2. On December 13, 2004 SEBI issued Show Cause Notice proposing issuance of warning for violation of SEBI (Bankers to Issue) Regulations, 1994 with respect to public issue of M/s. Anik Ship Breaking Company Ltd. (Vile Parle Branch). The said Show Cause Notice has been duly replied on December 30, 2004 and the Bank has prayed for exoneration.
3. On July 4, 2003 SEBI issued Show Cause Notice for non-compliance of Clause 51 of the Listing Agreement with respect to EDIFAR System. The said Show Cause Notice was duly replied by the Bank vide its letter dated July 21, 2003 stating the technical difficulties faced by the Bank in uploading the data into the EDIFAR System. In pursuance of the same, the SEBI has withdrawn the aforesaid Show Cause Notice vide its letter dated April 20, 2004 and no further proceedings emanating from the Show Cause Notice would be initiated against the Bank.
4. On February 2, 2002 SEBI under the order of Chairman warned the Prabhadevi Branch of the Bank to be vigilant in future, in respect of irregularities in the matter of Public Issue of M/s. Sanz Financial Services Ltd. It was revealed that two stock-invest issued by the Bank were predated and were issued much after the closure of the Issue.
5. The SEBI had issued administrative warning for violation of Section 2(i) of SCR Act, 1956 to:
  - i) United Western Bank Employees Equity Trust
  - ii) The United Western Bank Karmachari Sangh
  - iii) The United Western Bank Ltd. Officers Organisation

SEBI had conducted investigations in the scrip of The United Western Bank Ltd. (UWB) during the period of 01.10.2000 to 31.12.2000 and observed that all the three entities have not followed the provisions of Spot delivery contract while trading in the scrip of UWB as specified under Section 2(i) read with section 13 of SCR Act, 1956 and had warned all the above three entities not to undertake such transactions in future and follow the statutory provisions strictly.

(Source: SEBI letter no. IVD/ID1/PKN/JJ/21554/03 dated November 13, 2003)

**C. Pending Appeal under Section 10F of the Companies Act 1956 before the High Court of Judicature of Bombay :**

The Bank had filed following Petitions with Company Law Board, Principal Bench, New Delhi :-



1. **Company Application (Lodging) No. 16 of 2002:** CP 23/2001 – against PIK Securities Pvt. Ltd and Others in the matter, the Bank had filed a Petition being Petition No. 23 of 2001 before the Company Law Board against PIK Securities wherein was alleged that the PIK Securities & Others had acquired 13.07 per cent shares in the Bank in different names with an ulterior motive of destabilizing the management of the Bank thereby violating the provisions of the RBI Act and SEBI Takeover Code. Further, it was alleged that by virtue of the aforesaid acquisition of shares of the Bank, PIK Securities & Ors also made a bid to effect change in the composition of the Board of Directors of the Bank by submitting a requisition dated 27.09.2000 to it. Therefore, the Bank prayed that the voting rights of PIK Securities & Ors be frozen for a period of three years.
2. **Company Application (Lodging) No. 15 of 2002:** CP 45/2001 – against SICOM Ltd. and Others in the matter, the Bank had filed a Petition being Petition No. 45 of 2001 before the Company Law Board against SICOM & Others. In the matter the Bank alleged that SICOM Ltd. who is Respondent No. 1 in the aforesaid Petition held approximately 9.91 per cent shares in the Bank whereas the holding of other Respondents aggregated to approximately 17 per cent in the shares of the Bank. The Bank had alleged that SICOM Ltd. & Others were acting in concert to take over the control of the Bank and prayed that the voting rights of SICOM Ltd. & Others be frozen for a period of three years.

Both these petitions were dismissed by the Company Law Board by its common Judgment and Order dated September 6, 2002. Aggrieved by the Order, the Bank in November 2002 preferred an Appeal against the impugned Judgment and Order dated 6/9/2002 under Section 10F of Companies Act 1956. Both these Appeals are presently pending before the High Court, Bombay.

As per the grounds of Appeal in the aforesaid Appeals and the issues raised by the Bank therein, the Bank made necessary disclosures to the Stock Exchanges under SEBI (Regularisation) Scheme, 2002 pertaining to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

#### D. Complaints with National Consumer Disputes Redressal Commission

M/s. Ganesh Benzoates Pvt. Ltd. a shareholder of the Bank has filed a complaint before the National Consumer Disputes Redressal Commission at New Delhi for transfer of 2,60,000 shares held by it in favour of Greater Bombay Co-operative Bank Ltd. The complainant has filed a claim for an amount of Rs. 13.18 crore on account of alleged loss suffered by them which includes the cost of interest and mental agony.

The Bank has transferred the subject shares in favour of Greater Bombay Co-operative Bank Ltd. under the recovery certificate issued, under section 156 of the Maharashtra State Co-operative Act, by the Competent Court. While transferring the shares the Bank acted in good faith and has taken reasonable care to secure its interest by obtaining the appropriate indemnity. The functionaries of the Bank against whom the notice has been issued have filed a reply.

#### E. Petition filed by Ganesh Benzoates Pvt. Ltd. with Company Law Board, Western Region Bench, Mumbai

Background of the Case	Branch/Name of the Court before which litigations are pending	Name of parties	Date of filing the suit	Allegations	Amount involved	Current status
Ganesh Benzoates Private Limited (GBPL), one of the shareholders of the Bank holding 9000 shares of Rs. 10/- each of the Bank has filed a Petition under Section 111A of the Companies Act, 1956 for Rectification of Register of Members of the Bank, against the: 1. Bank, 2. The United Western Bank Karmachari Sangh (UWBKS), 3. The United Western Bank Limited	Company Law Board, Western Region Bench, Mumbai	GBPL Versus The Bank, UWBKS, UWBOO, the Trust and SEBI	17.10.2005	GBPL has alleged that the transaction of sale of shares by the Trust to UWBKS and UWBOO is in violation of Sections 13, 16, 18 and 2 (j) the Securities Contracts of (Regulation) Act,	—	Notice served on respondents to file written statements in the matter.



<p>Officers' Organisation (UWBOO),</p> <p>4. The United Western Bank Employees Equity Trust ("the Trust") and</p> <p>5. Securities and Exchange Board of India. GBPL has alleged that the transaction of sale of shares by the Trust to UWBKS and UWBOO is in violation of Sections 13, 16, 18 and 2 (i) of the Securities Contracts (Regulation) Act, 1956 and the same is void ab initio and accordingly, has requested to set aside the same.</p>				<p>1956 and the same is void ab initio and accordingly, has requested to set aside the same.</p>		
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**Against the Directors of the Bank**

There are no outstanding litigations, disputes or penalties against the Directors of the Bank, including tax liabilities, economic offences, criminal or civil prosecution for any offence, irrespective of whether specified under any enactment in Paragraph 1 of Part I of Schedule XIII, of the Companies Act, 1956 or any other liability in their personal capacities or as Director/Partner/Sole Proprietor in the Company or any other company/firm.

There are no litigations against the Directors involving violation of statutory regulations or criminal offences. No disciplinary action has ever been taken by the Securities and Exchange Board of India or Stock Exchanges and no penalty has been imposed by any authority. There is no suit pending against the Directors in capacity as director or partner or sole proprietor in any other company/firm.

Other than as stated above, there are no disputes/litigations towards tax liabilities or any criminal or civil prosecutions against the Bank for any offence; economic or otherwise. No criminal proceedings have been launched against the Bank under any of the enactment irrespective of whether specified in paragraph 1 of part I of Schedule XIII of the Companies Act.

**Cases filed By the Bank**

In the normal course of banking business, the Bank has filed 3643 suits before various Courts/Tribunals for recovering net amount of Rs. 874.93 crore. Details of top 10 cases filed by the Bank are as under:

S. No.	Name of the party	Background of the Case	Name of the Court before whom litigations are pending	Date of filing the suit	Amount involved (Rs.)	Current Status
1	BALAJI IND. CORPORATION	The company was sanctioned Cash Credit, Working Capital Demand Loan and Letter of Credit etc. facilities by the Bank against the personal guarantee of Directors and charge on movables of the company along with the charge on current and fixed assets of its sister concern. Failure of the company to repay the above facilities resulted in filing of recovery suit against it.	DRT, CHENNAI	29-Aug-02	379306511.85	The suit before DRT is at the stage of hearing. However the company has approached BIFR as such the matter is stayed.
2	EMTEX INDUSTRIES (INDIA) LTD.	The company was sanctioned various fund based / non-fund based facilities in a consortium arrangement against security of hypothecation of its current assets, receivables and mortgage of immovable properties. Because of the failure of the company to repay the said facilities the Bank has filed recovery suit on 1.12.2001.	DRT, MUMBAI	01-Dec-01	374415872.92	As the reference before BIFR is pending the suit before DRT is kept sine die.  Due to pendency of BIFR reference there was no



3	SAAR TELE TECHNOLOGIES	The company was sanctioned various fund / non-fund based facilities in consortium with other Banks. The facilities are sanctioned against the mortgage of factory plots / building and six residential flats. Since the company did not make the payment of its dues a recovery suit has been filed against it on 4.6.2002.	DRT, JABALPUR	04-Jun-02	335717322.00	progress in DRT suit. However, Bank has proceeded under Securitisation Act and therefore the BIFR reference stands abated. The Bank has taken possession of two factory units and personal flats mortgaged to it. The same shall be sold and proceeds thereof shall be appropriated towards the loan account.
4	PATHEJA BROTHERS FORGINGS	The company was sanctioned various fund / non-fund based facilities in consortium with other Banks against the second charge on company's plot at Chakan. Due to the default of the company to repay the loan a suit was filed against it, which is decreed on 2.1.2004 in favour of the Bank.	DRT, PUNE	07-Feb-00	319300000.00	Recovery Certificate in our favour is received in 2004. Further steps are being initiated to execute the Recovery Certificate through Recovery Officer or to assign the Recovery Certificate for consideration to any Asset Reconstruction company.
5	HELLO AGRO	Various credit facilities were sanctioned to the company in 1994 against the security of its gross block, open plots, flats etc. Since the default was made by the company in repayment of the facilities a recovery suit has been filed against the company on 25.2.2004.	DRT, JABALPUR	25-Feb-04	257085738.65	Suit is at the stage of order on interim applications moved by defendants. The Bank has also moved under Securitisation Act and has taken possession of the properties. The Bank has also sold two plots and proceeds thereof are appropriated to loan account.
6	PENTASOFT TECH	The company was sanctioned various fund / non fund facilities like C/C, WCDL, L/C, B/G etc. against the pari passu charge over its inventory, receivables, fixed assets etc. There is also a collateral security of equitable mortgage on pari passu basis over two buildings. In view of failure of the company to repay the loan a suit has been filed against it on 11.8.2003.	DRT, CHENNAI	11-Aug-03	245022488.12	The suit before DRT is at the stage of filing of written statement by defendants.
7	VAISHALI AROMATIC	Various credit facilities like C/C, FCTL etc. were sanctioned to the Company in 1999. The facilities are secured by first charge on fixed block of the company's assets and house properties. In view of the default of the company to repay the loan, Bank has filed a recovery suit in DRT, Aurangabad on 24.5.2002.	DRT, AURANGABAD	24-May-02	194306726.00	The Bank has got attachment of mortgaged properties. Attachment of personal properties is also sought. The properties are put for sale through DRT. Out of claim amount, Rs. 1.64 crs. have been recovered from the company as per consent terms of OTS. However, the company has failed to adhere to the consent terms and therefore further recovery proceedings are initiated.





8	S N K OVERSEAS	The company was sanctioned L/C facilities of Rs. 11.00 crore. Since the said facility got devolved and since the devolved amount has not been paid by the company the Bank has filed a recovery suit against it on 16.3.2001.	DRT, NAGPUR	16-Mar-01	165709410.00	Suit filed before DRT is at the stage of hearing. The Bank has obtained injunction order against defendants prohibiting the company from alienation of its properties. The Bank has also moved against directors in criminal courts by filing complaints for cheating and criminal breach of trust. The company is under liquidation and assets of the company are in possession of the Official Liquidator. Steps for sale of the same are being taken by the OL.
9	MOREPEN LAB	The company was sanctioned various credit facilities and investment was also made in its non-convertible debentures. Due to non-payment of credit facilities and amount of debentures, suit has been filed against it on 28.12.2004. The Bank has pari passu charge on movables of the company, which is recorded with ROC.	DRT, PUNE	28-Dec-04	155288000.00	Notices to all the defendants have been served and the suit is at the stage of filing of written statements by defendants. An interim order directing the defendants to submit inventory of hypothecated assets is passed in our favour. In Investment port folio an amount of Rs 2.35 crs. has been recovered by the Bank by sale of pledged shares.
10	HAMCO MINING & SMELTING	The company was sanctioned various credit facilities against the security of hypothecation / mortgage of fixed assets along with mining rights. The Bank filed suit against the company in the year 2000 because of its failure to repay its facilities. A Recovery Certificate has been obtained in the matter on 11.12.02.	DRT, MUMBAI	19-Dec-00	152807000.00	The recovery proceeding is at the stage of filing property details of the defendants. Show Cause Notice of assets of Def. No. 2 has also been served by DRT. Properties at Malkangiri are attached through DRT and sale process thereof is initiated.

The break-up of the cases filed by the Bank above Rs. 50 lacs (including the above given top 10 cases) is given as under :

S. No.	Amount of claim (Range wise)	Number of outstanding cases	Total amount under dispute (Rs. in Crore)
1	From Rs. 50 lacs upto Rs. 1 crore	52	38.80
2	Above Rs. 1 crore upto Rs. 5 crore	69	162.64
3	Above Rs. 5 crore upto Rs. 10 crore	26	189.10
4	Above Rs. 10 crore upto Rs. 20 crore	11	158.23
5	Above Rs. 20 crore and more	6	191.08
	<b>TOTAL</b>	<b>164</b>	<b>739.85</b>



**OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS FOR THE SUBSIDIARY**

**Cases pending with different authorities against company**

**Core Trusteeship Business**

As per the information received there is one case/suit against the Company for freezing amount of Rs. 50 Lacs in case of a Trust Management by Company is pending in the Court of Law. The details of case are given as below:

S. No.	Name of the Branch	Name of the Party	Court/Authority in which pending and Case Number	Amount involved (Rs. in lacs)	Latest Position Remarks
1.	Satara	Shri Ramdas Swami Sansthan	Special Civil Suit in the Court	Rs. 50 lacs	It is pending for hearing

Company is holding the amount the amount of Rs. 50 Lacs. The amount will be released only after relevant Court Order, hence, no financial liability on WITECO.

**Debenture Trusteeship Business**

As per the information received there are 6 Cases are filed in DRT/Court & 13 Cases are filed in Consumer Court by various parities regarding default by Debenture issuing Companies, WITECO being Trustee to the said debenture issues proforma defendants. According to legal advice the chances of liability crystallising on WITECO is remote.

As on 30.09.2005, the aggregate amount of tax involved in all cases filed against the company by the Income Tax Authorities relating to income tax matters is Rs. Nil.

The issuer Company certifies that other than the above, there are no cases involving criminal offences, securities related offences, civil offences, statutory and other offences and other litigations pending against the company.

**Disputed Tax Liability**

As on 30.09.2005 the aggregate amount of tax involved as per demand notice against the company by the Income Tax authorities relating to Income Tax matters is Rs. Nil.

**Litigation involving Statutory Offences**

Except as mentioned above, no proceedings have been launched against the company for any of the offences under any enactment, irrespective of whether specified in Paragraph 1 of Part I of Schedule XIII to the Companies Act. No such litigation or disputes are pending as on today and there are no defaults or outstanding statutory dues.

There are no Small-scale undertakings/creditors to which the Company owes any sum exceeding one lac where payment is outstanding for a period of more than 30 days.

**Defaults**

The Company has not defaulted in meeting any statutory dues, Institutional dues and has made all payment/refunds on debentures/fixed deposits. It has not defaulted on dues to holders of other debt instruments and preference shareholders. The Company has not defaulted in meeting dues towards payment of interest or principal on due dates to holders of Bonds and Fixed Deposits.

Other than the above there are no disputes/litigations towards tax liabilities or any civil or criminal prosecutions against the Company, its Directors and its Promoters for any offence, economic or otherwise. There are no pending proceedings initiated for economic offences. No penalties have been imposed on the Company by RBI or any other regulatory authority. No proceedings are known to be contemplated by Governmental authorities. No disciplinary action/investigation has been taken by the Securities and Exchange Board of India/Stock Exchange against the Company and its Directors.



Also other than the above the promoters of the Company have not defaulted in meeting any of the statutory dues, Institutional dues etc. to the financial institutions/Banks and have made all payments towards interest or principal on due dates to the holders of Bonds, Debentures, Fixed Deposits, Cumulative/Non-Cumulative Preference Shares. There are no disputes/ litigations towards tax liabilities or any civil or criminal prosecutions against promoters of the Company for any offence, economic or otherwise. There are no pending proceedings initiated for economic offences.

**Against the Directors of the Company**

There are no outstanding litigations, disputes or penalties against the Directors of the Company, including tax liabilities, economic offences, criminal or civil prosecution for any offence, irrespective of whether specified under any enactment in Paragraph 1 of Part I of Schedule XIII, of the Companies Act, 1956 or any other liability in their personal capacities or as Director/Partner/Sole Proprietor in the Company or any other company/firm.

There are no litigations against the Directors involving violation of statutory regulations or criminal offences. No disciplinary action has ever been taken by the Securities and Exchange Board of India or Stock Exchanges and no penalty has been imposed by any authority. There is no suit pending against the Directors in capacity as director or partner or sole proprietor in any other company/firm.

Other than as stated above, there are no disputes/litigations towards tax liabilities or any criminal or civil prosecutions against the Company for any offence economic or otherwise. No criminal proceedings have been launched against the Company under any of the enactment irrespective of whether specified in paragraph 1 of part I of Schedule XIII of the Companies Act.

**Interest of Directors of the Company**

The Directors of the Company are interested to the extent of shares held by them and/or by their friends and relatives or which may be subscribed by them and/or allotted to them by the Company.

The Directors of the Company are interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee and reimbursement of travelling and other incidental expenses, if any, for such attendance as per the Articles of Association of the Company.

The Directors of the Company are not interested in the appointment of or acting as Underwriters, Registrars and Bankers to the Issue or any such intermediary registered with SEBI in respect of proposed Rights Issue of the United Western Bank Ltd.

The Directors of the Company are not interested in any property acquired by the Company within two years of the date of Letter of Offer or proposed to be acquired by it.

Save as stated above, no amount or benefit has been paid or given to the Company's Directors or Officers since its incorporation nor is intended to be paid or given to any Directors or Officers of the Company except the normal remuneration and/or disbursement for services as Directors, Officers or Employees of the Company.



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**MATERIAL DEVELOPMENTS**

In the opinion of the Board of Directors of the Bank, there have not arisen, since the date of the last financial statements disclosed in this Letter of Offer, any circumstances that materially or adversely affect or are likely to affect the profitability of the Bank or the value of its assets or its ability to pay its liabilities within the next twelve months.

**GOVERNMENT/RBI APPROVALS**

- Reserve Bank of India (hereinafter referred to as 'RBI') has issued Banking License (License No. BOM.26) under section 22(1) of the Banking Regulation Act, 1949, to The United Western Bank Ltd., to enable it to carry on Banking business in India. It must be distinctly understood, however, that in issuing the license, the RBI does not undertake any responsibility for the financial soundness of the Bank or for correctness of any of the statements made or opinion expressed in this connection.
- As per circular No. DBOD.No.PSBS.BC.79/16.13.100/2001-02 dated March 20, 2002, issued by the Department of Banking Operations and Development, RBI, RBI approval is not required by private sector Bank for Rights Issue.



**STATUTORY AND OTHER INFORMATION**

**AUTHORITY FOR THE ISSUE**

This offer of equity shares is being made pursuant to the resolution passed by the Board of Directors on August 26, 2005 in the ratio of 1 equity shares of Rs. 10/- each for every 2 equity shares of Rs. 10/- each held on the Record Date January 25, 2006 at a premium of Rs. 14/- per share. As per circular No. DBOD.No.PSBS.BC.79/16.13.100/2001-02 dated March 20, 2002, issued by the Department of Banking Operations and Development, RBI, RBI approval would not be required for Rights Issues by both listed and unlisted Banks. However, the Reserve Bank of India has been kept informed about the present issue of shares by way of Rights Issue.

**PROHIBITION BY SEBI**

The Bank, its directors or any of the associates or group companies, companies with which the directors of the Bank are associated as directors or promoters and the directors or person(s) in control of the promoting companies have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

**ELIGIBILITY FOR THE ISSUE**

UWB is an existing listed Bank whose equity shares are listed on NSE, BSE and PSE. Bank is eligible to offer this Rights Issue in terms of clause 2.4.1 (iv) of the SEBI guidelines.

**DISCLAIMER CLAUSE**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. A. K. CAPITAL SERVICES LTD., THE LEAD MANAGER TO THE ISSUE, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, A. K. CAPITAL SERVICES LTD. HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED October 24, 2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992, WHICH READS AS FOLLOWS:**

- (i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTE WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- (ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE BANK.**

**WE CONFIRM THAT**

- a. THE LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**



- b. **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- c. **THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
- d. **BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;**
- e. **WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THE UNDERWRITING COMMITMENTS.**

**THE FILING OF THE LETTER OF OFFER WITH SEBI DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER(S) (MERCHANT BANKERS), ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.**

#### **GENERAL DISCLAIMER**

**The Issuer and the Lead Manager accepts no responsibility for the statements made otherwise than in the Letter of Offer or in the advertisements or any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information would be doing so at his/her own risk.**

#### **CAUTION**

The Lead Managers and the Bank shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research reports, etc. after filing of this Letter of Offer with SEBI.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations made thereunder. Any disputes arising out of this issue will be subject to the jurisdiction of the appropriate Court(s) in Satara, State of Maharashtra, India only.

This offer of equity shares is made in India to persons resident in India and NRIs and FIIs subject to requisite approvals. This Letter of Offer does not, however, constitute an offer to sell or an invitation to subscribe to equity shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Letter of Offer comes is required to inform himself/herself about and to observe any such restrictions.

#### **DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

The Bank has made application dated October 25, 2005 to The National Stock Exchange of India Limited, seeking its in-principle listing approval of its equity shares offered through this LoF. "As required, a copy of this Letter of Offer has been submitted to The National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref. NSE/LIST/19130-A dated December 16, 2005 permission to the Issuer to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer, nor does it warrant that this Issuer's securities will be listed or will be continued to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.



Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

### **DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED**

The Bank has made application dated October 25, 2005 to Bombay Stock Exchange Ltd., Mumbai, seeking its in-principle listing approval of its equity shares offered through this LoF. BSE has given vide its letter DCS/SMG/SDM/RK/NS/05 dated December 12, 2005, permission to the Bank to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which the Bank's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited purpose of deciding on the matter of granting the aforesaid permission to the Bank. The Exchange does not in any manner –

1. Warrant, certify or endorse the corrections of any of the contents of this Letter of Offer or
2. Warrant that this Bank's securities will be listed or will continue to be listed on the Exchange or
3. Take any responsibility for the financial or other soundness of this Bank, its management or any other scheme or project of this Bank;

And it should not be for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated in the offer document or for any other reason whatsoever.

### **DISCLAIMER CLAUSE OF THE PUNE STOCK EXCHANGE LIMITED**

The Bank has made application dated October 25, 2005 to Pune Stock Exchange Ltd. seeking its in-principle listing approval of its equity shares offered through this LoF. PSE has given vide its letter PSE/2005/1998 dated December 12, 2005, permission to the Bank to use the name of the Exchange in this offer document as one of the Stock Exchanges on which the Bank's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited purpose of deciding on the matter of granting the aforesaid permission to the Bank. The Exchange does not in any manner –

1. Warrant, certify or endorse the corrections of any of the contents of this offer document or
2. Warrant that this Bank's securities will be listed or will continue to be listed on the Exchange or
3. Take any responsibility for the financial or other soundness of this Bank, its management or any other scheme or project of this Bank;

And it should not be for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated in the offer document or for any other reason whatsoever.

### **FILING**

The draft Letter of Offer was filed with SEBI, Mittal Court, Nariman Point, Mumbai – 400 021 for its observations and SEBI has given its observations. All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchanges have been complied with.

A copy of the Letter of Offer will be filed with Bombay Stock Exchange Limited, Pune Stock Exchange Limited and National Stock Exchange of India Limited (Designated Stock Exchange).

**LISTING**

The existing Equity Shares of the Bank are listed on the Pune, Bombay and The National Stock Exchange of India Ltd. The Equity Shares to be issued through this Issue would also be listed on the Stock Exchanges mentioned above. We have made application for in-principle approval for listing to the NSE vide letter dated – October 25, 2005, to BSE vide letter dated October 25, 2005 and PSE vide letter dated October 25, 2005. The in-principle listing approval has been obtained from NSE vide its letter no. Ref. NSE/LIST/19130-A dated December 16, 2005 BSE vide its letter no. DCS/SMG/SDM/RK/NS/05 dated December 12, 2005 and PSE vide its letter no. PSE/2005/1998 dated December 12, 2005. We will make application to these Stock Exchanges for permission to deal in and for an official quotation in respect of the Equity Shares arising out of the Issue.

If the permission to deal in and for an official quotation of the securities is not granted by the Designated Stock Exchange mentioned above, within six weeks from the Issue Closing Date, the Bank shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Letter of Offer. If such money is not repaid within eight days after the Bank becomes liable to repay it, then the Bank and every Director of the Bank who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest, as prescribed under Section 73 of the Act.

**IMPERSONATION**

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Act, which is reproduced below:

“Any person who

- i. makes in a fictitious name an application to a company for acquiring or subscribing for any shares thereon; or
- ii. otherwise induces a Bank to allot or register any transfer of shares therein to him or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

**CONSENTS**

Consents in writing of the Auditors, Lead Managers, Legal Advisors, Registrar to the Issue and Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Letter of Offer to the Designated Stock Exchange.

M/s. M. P. Chitale & Co., auditors have given their written consent for inclusion of income tax benefits in the form and content as appearing in this Letter of Offer, accruing to the Company and its members.

To the best of our knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by us.

**EXPERT OPINION**

Save and except as stated specifically in the relevant section of this Letter of Offer, the Bank has not obtained any expert opinions.

**EXPENSES OF THE ISSUE**

The expenses of the Issue payable by the Bank including fees and reimbursement to the Lead Manager, Co-Lead Manager, Registrars, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at around Rs. 1.00 crore (around 2.30 per cent of the total Issue size) and will be met out of the proceeds of the Issue. The following table gives a break-up of the estimated Issue expenses and contingencies. The break-up of the issue expenses is given as under:





<b>S. No.</b>	<b>Particulars</b>	<b>Amount (Rs. in lacs)</b>	<b>Percentage to the total expenses</b>
1.	Lead Manager & Co-Lead Managers Fees	21.52	22.48%
2.	Auditors Fees	4.70	4.91%
3.	Registrar's Charges	3.50	3.66%
4.	Bankers' to the Issue Charges	3.00	3.13%
5.	Printing of issue material	15.00	15.67%
6.	Legal advisors fees	4.00	4.18%
7.	Postage on despatch of CAF	25.25	26.38%
8.	Consolidate Stamp Duty on Share Certificates	4.25	4.44%
9.	Printing of share certificates /allotment advices/refund orders	0.25	0.26%
10.	Advertising Agency Charges	9.00	9.40%
11.	Corporate Action Fees	1.75	1.83%
12.	Others (out of pocket expenses to Lead Managers) ceiling	3.50	3.66%
<b>Total</b>		<b>95.72</b>	<b>100.00</b>

**FEES PAYABLE TO THE LEAD MANAGER AND CO-LEAD MANAGER TO THE ISSUE**

The fees payable to the Lead Manager and Co-Lead Manager to the Issue are set out in the separate Engagement Letter dated August 26, 2005, copies of which are available for inspection at the Registered Office of the Bank.

**FEES PAYABLE TO THE REGISTRARS TO THE ISSUE**

The fee payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of the Bank.

**UNDERWRITING COMMISSION**

The Bank has decided to partially underwrite the Issue. The Lead Manager and Co-Lead Manager have, jointly, agreed to partially underwrite the issue to the tune of Rs. 15.00 crore (i.e., 62,50,000 Equity Shares of Rs. 10/- each at a premium of Rs. 14/- per share aggregating Rs. 15.00 crore) at an underwriting commission of 2.50 per cent of the paid-up value of the shares underwritten.

**PREVIOUS ISSUES BY THE BANK**

The Bank has not come out with any Public or Rights Issue during last five years.

**ISSUES FOR CONSIDERATION OTHER THAN CASH**

Except issuance of bonus shares as stated in the Capital Structure on page no. 31 of this Letter of Offer, the Bank has not issued Equity Shares for consideration other than cash or out of revaluation reserves within the two years preceding the date of this Letter of Offer.

**PARTICULARS REGARDING LISTED COMPANIES UNDER THE SAME MANAGEMENT WHICH HAVE MADE CAPITAL ISSUES DURING THE LAST THREE YEARS**

The Bank has not come out with a Public or a Rights Issue during last three years. Also, there are no other listed companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956, which have come out with a Public or a Rights Issue.

**PROMISES V/S PERFORMANCE**

**A. 1992 – Rights Issue:**

The Bank had made a Rights Issue of shares aggregating Rs.6.00 crore during the year 1992-93. The main object of the Issue was to augment the Bank's Owned Funds as directed by RBI.

No projections were made in the Letter of Offer of this Rights Issue.



**B. 1994 – Public Issue:**

The Bank came out with the Initial Public Offering in January 1994 for 30,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 20/- per share aggregating Rs. 6.00 crore. The main object of the Issue was to comply with Capital Adequacy Norms stipulated by RBI. The details about the Promises Vs. Performance in respect of the projections made in the Offer Documents is given hereunder:

(Rs. in crore)

Particulars	March 1994		March 1995		March 1996	
	Projection	Actual	Projection	Actual	Projection	Actual
Deposits	1000	1104	1250	1432	1500	1623
Advances	550	532	700	773	900	891
Capital	12.00	12.00	18.00	12.00	24.00	29.89
Reserves*	26.00	13.61	44.50	21.19	75.00	83.20
Net Profit	3.60	3.86	6.50	10.23	10.90	14.06
Book Value Per Share (Rs.)	31.67	21.24	34.72	27.66	41.25	37.83
Earning Per Share (Rs.)	3.00	4.19	3.61	8.52	4.54	8.12
Dividend (%)	16	20	18	22	20	23

\*Reserves excluded revaluation reserves.

Reasons for variation between Projected financials as mentioned in the Offer Documents of above-mentioned Public Issue and actual performance are as under:

1. 1993-94 – Though all the projections were not achieved but still the net profit was higher by Rs. 26.00 lacs than the projections. As a result of this, the Bank declared a dividend of 20 per cent as against the projected rate of 16 per cent. There is a positive variance indicating the commitment of the Bank to reward its shareholders to the extent possible.
2. 1994-95 – Though all the projections were not achieved but still the net profit was higher by Rs. 3.73 crore than the projections and consequently the actual rate of dividend was also more as against the projected one.
3. 1995-96 – Despite of additional provisioning for investment depreciation, the Bank recorded a net profit of Rs. 14.06 crore as against the projected net profit of Rs. 10.90 crore. Also the net profit during the year was up by 37 per cent as compared to net profit of earlier year. The Bank paid higher dividend and this year also the rate of dividend was 1 per cent more (i.e., 23 per cent) as against the projected dividend rate of 22 per cent.

**C. 1995 – Rights Issue:**

The Bank had made a Rights Issue of 1,80,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 40/- per share aggregating Rs. 72 crore during the year 1995-96. The main object of the Issue was to increase the Capital base of the Bank and to comply with Capital Adequacy Norms stipulated by RBI. The details about the Promises Vs. Performance in respect of the projections made in the Letter of Offer is given hereunder:



(Rs. in crore)

Particulars	March 1996		March 1997		March 1998	
	Projection	Actual	Projection	Actual	Projection	Actual
Deposits	1800	1623	2255	2044	2825	2668
Advances	990	891	1250	1076	1560	1370
Capital	29.89	29.89	29.89	29.89	29.89	29.89
Share Premium Account	54.73	54.73	54.73	54.73	54.73	54.73
Reserves*	90.57	83.20	115.97	96.90	153.47	122.20
Net Profit	20.00	14.06	32.00	21.58	45.00	33.53
Book Value Per Share (Rs.)	40.19	37.83	48.65	42.42	61.16	50.89
Earning Per Share (Rs.)	9.52	8.12	10.67	7.22	15.00	11.21
Risk Weighted Assets	1115.83	1103.59	1408.88	1284.79	1758.28	1555.30
CAR (%)	8.56	10.65	8.57	10.20	8.58	9.87
Dividend (%)	22	23	22	24	25	25

\*Reserves excluded revaluation reserves.

Reasons for variation between Projected financials as mentioned in the Offer Documents of above-mentioned Rights Issue and actual performance are as under:

1. 1995-96 – Due to additional provisions for investment depreciation, the Bank recorded a net profit of Rs. 14.06 crore as against the projected net profit of Rs. 20.00 crore. Though the projected profit could not be achieved, the net profit during the year was up by 37 per cent as compared to net profit of earlier year. The Bank paid higher dividend and this year also the rate of dividend was 1 per cent more (i.e., 23 per cent) as against the projected dividend rate of 22 per cent.
2. 1996-97 – The Bank's business growth was not up to projected level. However the dividend declared was 2 per cent more as against the projected rate of dividend of 22 per cent.
3. 1997-98 – Though the projected level of Deposits and Advances could not be achieved, the same increased by 36.56 per cent and 27.26 per cent respectively during the year. Simultaneously, due to unexpected yield movement and limited avenues of deployment of incremental deposit on account of depressed capital market trend led to non-achievement of profit target. However the Bank declared a dividend of 25 per cent at par with the projected one.

**Note:** The projections made by the Bank for the financial year 1995-96 in the Offer Document for its Public Issue in 1993-94 were revised for the purpose of disclosure in the Offer Document for the Banks' Rights Issue in the year 1995-96.

#### OPTION TO SUBSCRIBE

Other than the present Rights Issue, the Bank has not given any option to subscribe for any equity shares of the Bank. The investor shall have the option either to receive the security certificates in physical form or to hold the securities with a depository in electronic form.

#### DETAILS OF OUTSTANDING BONDS ISSUED BY THE BANK

The Bank has raised Tier II Capital by way of private placement of Unsecured Redeemable Non-Convertible Subordinated Bonds to augment capital adequacy as under:

## THE UNITED WESTERN BANK LIMITED



Issue Series (ISIN No.)	Deemed Date of Allotment	Issue Amount (Rs. in crore)	Tenure (Months)	Credit Rating*	Coupon Rate (%)	Interest Payment Date	Redemption Date
INE165A09016	13-03-1999	28.50	87	'Care A-'	14.50	13 <sup>th</sup> March	13-06-2006
INE165A09040	09-11-2002	30.20	63	'Care A-'	9.55	9 <sup>th</sup> November	09-02-2008
INE165A09057	09-11-2002	1.00	87	'Care A-'	9.65	9 <sup>th</sup> November	09-02-2010
INE165A09065	21-02-2004	15.00	75	'Care A-'	7.10	21 <sup>st</sup> February	21-02-2010
INE165A09073	21-02-2004	40.00	99	'Care A-'	7.25	21 <sup>st</sup> February	21-05-2012

\*The credit rating of all the above bond issuance has been downgraded to "Care B+".

### STOCK MARKET DATA

The Bank's shares are listed on the BSE, NSE and PSE. As the shares are actively traded on the NSE and BSE, the Bank's stock market data have been given separate for each of these Stock Exchanges.

The high and low closing prices recorded on the BSE, NSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

#### NSE

Year Ending March 31	High (Rs.)	Date of High	Volume on Date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	30.00	24.06.2002	18485	16.60	25.09.2002	12529	22.79
2004	45.00	16.01.2004	228487	19.75	21.04.2003	23917	28.14
2005	58.05	31.12.2004	1397467	23.00	25.08.2004	16800	34.84
April 1, 2005 to December 31, 2005	74.20	19-08-2005	664098	41.60	29-04-2005	14030	55.16

#### BSE

Year Ending March 31	High (Rs.)	Date of High	Volume on Date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	30.00	03.07.2002	1780	17.55	10.03.2003	3479	22.78
2004	44.95	16.01.2004	1068	18.00	07.04.2003	10720	28.19
2005	57.80	31.12.2004	774576	22.75	25.08.2004	2360	34.85
April 1, 2005 to December 31, 2005	73.10	19-08-2005	589198	41.95	30-06-2005	26664	55.09

The high and low prices and volume of shares traded on the respective dates during the last six months is as follows:



**NSE**

Year Ending March 31	High (Rs.)	Date of High	Volume on Date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
April 2005	56.50	08.04.2005	189858	41.15	20.04.2005	10392	45.25
May 2005	57.10	23.05.2005	75650	41.55	02.05.2005	11488	46.98
June 2005	51.75	04.06.2005	17836	40.05	22.06.2005	22486	46.83
July 2005	56.05	18.07.2005	512050	41.60	01.07.2005	15820	46.59
August 2005	79.70	22.08.2005	442680	47.10	02.08.2005	122432	60.33
September 2005	71.80	01.09.2005	72487	54.45	23.09.2005	24885	62.80
October 2005	65.50	04.10.2005	35571	52.60	21.10.2005	23603	60.52
November 2005	68.50	28.11.2005	29831	59.00	01.11.2005	5356	63.56
December 2005	69.55	13-12-2005	28592	59.95	28-12-2005	9289	63.86

**BSE**

Year Ending March 31	High (Rs.)	Date of High	Volume on Date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
April 2005	56.55	08.04.2005	282561	41.50	29.04.2005	11418	45.25
May 2005	60.00	23.05.2005	102936	41.35	02.05.2005	11791	47.01
June 2005	52.00	04.06.2005	34013	41.35	30.06.2005	26664	46.85
July 2005	56.80	19.07.2005	205380	41.35	01.07.2005	16362	46.45
August 2005	80.00	22.08.2005	318019	46.70	01.08.2005	14269	60.10
September 2005	70.40	05.09.2005	34961	54.35	23.09.2005	21207	62.65
October 2005	66.00	04.10.2005	29194	54.10	21.10.2005	13902	60.39
November 2005	69.45	28.11.2005	25818	59.60	09.11.2005	100042	63.53
December 2005	69.60	13-12-2005	57549	59.80	28-12-2005	10675	63.86

**Week-end prices for the last 4 weeks (NSE)**

Period	High (Rs.)	Low (Rs.)
December 30, 2005	62.00	60.00
December 23, 2005	64.75	63.00
December 16, 2005	68.40	64.50
December 09, 2005	65.00	63.00

**Week-end prices for the last 4 weeks (BSE)**

Period	High (Rs.)	Low (Rs.)
December 30, 2005	61.70	59.65
December 23, 2005	64.00	63.00
December 16, 2005	68.50	64.50
December 09, 2005	65.00	63.00



The closing price of the shares was Rs. 70.75 on NSE on August 29, 2005, one day after the day on which the Board of Directors approved the Rights Issue.

The closing price of the shares was Rs. 70.70 on BSE on August 29, 2005, one day after the day on which the Board of Directors approved the Rights Issue.

### INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

All the complaints received from the investors are being attended by the Bank's share transfer agent, being M/s. MCS Ltd., Mumbai. Company Secretary being Compliance Officer monitors the redressal of the compliance at the periodic interval. Normally complaints are attempted to be disposed off within a week of receipt of complaints. A subcommittee of the Board also reviews the redressal of investor grievance periodically. With a view to ensure speedy disposal of the investor complaints, the Bank has prescribed for itself a Citizen Charter, which is reproduced hereunder and the status of observance of stipulations made therein is indicated alongside.

#### Chart showing Status of disposal of Investors requests/complaints and redressal thereof during the year 2004 – 2005:

S. No.	Particulars	No. of days prescribed to respond to the requests/ complaints	No. of requests/ complaints received	No. of requests/ complaints resolved	Period within which requests / complaints resolved /settled	No. of requests / complaints pending	Whether requests resolved within prescribed period
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Change of address	Within 2 days from receipt	374	374	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes
2	Duplicate dividend warrants	Within 2 days from receipt of Indemnity Bond duly executed	189	189	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes
3	Revalidation of dividend warrants	Same day on receipt of request or at the most next day	525	525	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes
4	Duplicate share certificates	Within 30 days from receipt of required compliance	42	42	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes
5	Share Transfer/ Transmission proposals	Within 30 days from receipt of the required compliance	747	747	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes
6	Demat Request	Within the time limit as prescribed by NSDL/CDSL	1119	1119	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes
7	Remat Request	Within the time limit as prescribed by NSDL/CDSL	Nil	Nil	Resolved within the periodicity prescribed as indicated in column 2	NIL	Yes

Based on the above data, shareholders may assess the quality and efficiency of the services extended to them. Investors may contact the Compliance Officer in case of any pre-issue / post-issue related matters such as non-receipt of Letter of Offer/ Letter of Allotment / CAF / share certificate(s)/ refund orders / demat credit, etc. The Bank has appointed Shri R.J. Joshi, Company Secretary of the Bank as the Compliance Officer.



Complaint letters should be either type written or legibly hand written quoting Folio number/beneficiary account number, application number, number of shares applied for, name and address of the first applicant, name and address of the Bank, Branch where application was submitted with date thereof, and the date of receipt by the Registrars to the Issue in case application was sent by Post. Envelopes containing the complaints should be addressed to:

**Shri Raghavendra J. Joshi**

Company Secretary

The United Western Bank Ltd.

Secretarial Dept.

172/4, Raviwar Peth, Shivaji Circle,

Satara – 415 001

Tel: (02162) 231 513

Fax: (02162) 231 513

E-mail: co-sec@uwbankindia.com

### **CHANGES IN AUDITORS IN THE LAST THREE YEARS**

M/s. M. P. Chitale & Co., Chartered Accountants, Mumbai, had been appointed as Central Statutory Auditors of the Bank in the AGM held during the year 2001 and their term of office of 4 years, as per RBI guidelines presently in vogue, was completed. For this reason the shareholders of the Bank has appointed M/s. Mukund M. Chitale & Co., Chartered Accountants as the new Central Statutory Auditors of the Bank in the last AGM held on December 24, 2005.

### **CAPITALISATION OF RESERVES OR PROFITS**

The Bank has declared bonus in the ratio of One (1) Equity Share for every Five (5) Equity Shares held on the Record Date January 25, 2006 aggregating to Rs. 5,97,75,440/- thereby capitalising its reserves to the extent of bonus declared. Apart from the above the bank has not capitalized any of its reserves or profits during the last five years.

### **REVALUATION OF FIXED ASSETS**

The Bank had revaluated its assets in 1993 and 2001, however no issue of equity shares has been made from revaluation reserves. Apart from the above there has been no revaluation of the Bank's fixed assets in the last five years.

Certain land and buildings have been revalued on 31<sup>st</sup> March 1993 and on 31<sup>st</sup> March 2001 resulting in net increase of Rs. 12.93 crore and Rs. 16.78 crore respectively, which was credited to Revaluation Reserve.

Depreciation in respect of such properties has been computed on their enhanced value. Proportionate depreciation on revaluation amounting to Rs.0.81 crore (previous year Rs. 0.85 crore) has been transferred to Profit and Loss Account from the Revaluation Reserve.



## **TERMS OF THE PRESENT ISSUE**

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum and Articles of Association of the Bank, approvals, if any, from the RBI, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

### **AUTHORITY FOR THE PRESENT ISSUE**

This offer of equity shares is made pursuant to the resolutions passed by the Board of Directors on August 26, 2005 in the ratio of 1 equity share of Rs. 10/- each for every 2 equity shares of Rs. 10/- each held on the Record Date January 25, 2006 at a premium of Rs. 14/- per share.

### **RANKING OF EQUITY SHARES**

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Bank and shall rank pari passu in all respects including dividends with the existing Equity Shares of the Bank.

### **BASIS OF THE ISSUE**

In accordance with the Board resolution referred to above, Equity Shares are being offered on Rights basis in the ratio of 1 equity share of Rs. 10/- each for every 2 equity shares of Rs. 10/- each at a premium of Rs. 14/- per share to all the existing equity shareholders whose names appear as beneficial owner as per the list to be furnished by depositories in respect of the shares held in electronic form and on the Register of Members of the Bank in respect of the shares held in physical form at the close of business hours on the Record Date January 25, 2006. Such shareholders are entitled to apply for equity shares on rights basis on post-bonus allotment of shares.

### **RIGHTS ENTITLEMENT**

As your name appears as beneficial owner as per the list furnished by depositories in respect of the shares held in electronic form and on the Register of Members of the Bank in respect of the shares held in physical form as an equity shareholder on the Record Date January 25, 2006, you are offered Equity Shares as shown in Block I of Part A of the enclosed Composite Application Form (CAF).

### **RIGHTS OF THE EQUITY SHAREHOLDERS**

The rights available to the shareholders of the Bank under the Act are subject to the provisions of the BR Act. The rights include the following:

- a. Right to receive dividend, if declared
- b. Right to attend general meetings and exercise voting powers, unless prohibited by law
- c. Right to vote personally or by proxy, unless prohibited by law
- d. Right to receive offers for rights shares and be allotted bonus shares, if issued
- e. Any other rights available under the Companies Act, 1956

Note: Only the registered equity shareholders or in case of the joint holders, those shareholders, whose names appear first in the Register of members /list of beneficial owners shall be entitled to above-mentioned rights.

### **MARKET LOT**

The market lot for Equity Shares held in Demat Mode is one share. In case of physical certificates, the Bank would issue one consolidated certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").



**NOMINATION**

As per section 109A of the Act, a sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders [being individual(s)] may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form as available on the request at the Registered Office of the Bank or such other person at such addresses as may be notified by the Bank. The applicant can make the nomination by filling in the relevant portion of the CAF.

**Only one nomination would be applicable for one folio. Hence, in case the Shareholder(s) has already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.**

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective DP.

**MINIMUM SUBSCRIPTION**

If the Bank does not receive the minimum subscription of 90 per cent of the Issue including devolvement of underwriters, the entire subscription shall be refunded to the applicants within 42 days from the date of closure of the Issue. If there is any delay in the refund of subscription amount by more than 8 days after the Bank becomes liable to refund the subscription amount (i.e. forty two days after the closure of the Issue), the Bank will pay interest for the delayed period, at rates prescribed under sub sections (2) and (2A) Section 73 of the Companies Act, 1956.

**FRACTIONAL ENTITLEMENT**

If the shareholding of any of the Equity Shareholders is less than two or not in multiples of two, then such shareholders shall be offered one (1) additional shares at the time of offering and such number of additional shares at the time of offering shall be adjusted against the Rights offered to Directors/ Major shareholders of the Bank.

**ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

The Bank's shares will be traded in dematerialized form only and therefore the marketable lot is 1 (ONE) share. Therefore, there is no possibility of any odd lots.

**RESTRICTION ON TRANSFER OF EQUITY SHARES**

As per RBI Circular No. DBOD. PSBS.BC.64/16.13.100/2003-04 dated February 3, 2004 any acquisition of shares by a person or group which would take his or its holding to a level of 5 per cent or more of the total paid up capital of the Bank (or such percentage as may be prescribed by the RBI from time to time) should be with the prior approval of RBI and as per RBI Circular No. DBOD. PSBD.BC.99/16.13.100/2004-05 dated June 25, 2005 the above-mentioned guidelines are made applicable to the Rights Issue by private sector Banks as well.

**OFFER TO NON RESIDENT EQUITY SHAREHOLDERS / APPLICANTS**

As per notification No. FEMA 20/2000-RB dated May 3, 2000; RBI has given general permission to Indian companies to Issue Rights/Bonus shares to Non-Resident Indians. Hence the Bank does not need permission from RBI for Issue of shares to Non -Resident Indians, up to their entitlement.

Applications received from NRIs and non-residents for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment/share



certificates, payment of interest, dividends, etc. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the non-resident shareholders. The rights shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Company at its registered office, the OCB shall receive the Letter of Offer and the CAF.

### **PRINCIPAL TERMS OF THE EQUITY SHARES**

#### ***Face Value***

Each Equity Share shall have the face value of Rs. 10/- each.

#### ***Issue Price***

Each Equity Share of the face value of Rs.10/- each is being offered at Rs. 24/- each (including premium of Rs.14/- per share).

#### ***Entitlement ratio***

The Equity Shares are being offered on Rights basis to the existing Equity Shareholders in the ratio of 1 Equity Share of Rs. 10 each for every 2 Equity Shares of Rs. 10 each held as on the Record Date. The entitlement of Rights shall be based upon the Post Bonus Share Capital of the Bank (please refer to “Capital Structure” on page no. 31 of this Letter of Offer for further details).

### **TERMS OF PAYMENT**

The issue price per Equity Share shall be payable as follows:

100 per cent of the issue price i.e., Rs. 24/- shall be payable on Application.

### **OPTION AVAILABLE TO THE EQUITY SHAREHOLDERS**

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares

Renounees for Equity Shares can apply for the Equity Shares renounced to them and does have an option to apply for additional Equity Shares.

### **OPTION TO SUBSCRIBE**

Other than the present Rights Issue, the Bank has not given any option to subscribe for any equity shares of the Bank. The investor shall have the option either to receive the security certificates in physical form or to hold the securities with a depository in electronic form.

**HOW TO APPLY****Resident Equity Shareholders**

Application should be made only on the enclosed CAF provided by the Bank. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Bank at any offices except in the case of postal applications as per instructions given in this section of the Letter of Offer.

**Non-resident Equity Shareholders**

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/certificates/payment of dividends etc.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for renounees

Part D: Form for request for split application forms

**ACCEPTANCE OF THE ISSUE**

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Mumbai/demand draft payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

**RENUNCIATION**

As an equity shareholder, you have the right to renounce your entitlement to the equity shares in full or in part in favour of one or more person(s). Your attention is drawn to the fact that the Bank shall not allot and/or register any equity shares in favour of:

- a. More than three persons including joint holders;
- b. Any Trust or Society (unless the same is registered under the applicable Trust Laws or the Societies Registration Act, 1860 or any other laws and is authorised under its constitution to hold equity shares in a Bank);
- c. Partnership firm(s) or their nominee(s);
- d. Minors

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to another Non-Resident Indian or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/renouncee(s) obtaining the approval of the FIPB and/or necessary permissions of the RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions to be attached with the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

The right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

**PROCEDURE FOR RENUNCIATION****a. To renounce the whole offer in favour of one renouncee**

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

**b. To renounce in part/or to renounce the whole to more than one renounee**

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split into requisite number of forms. For this purpose you will have to apply to the Registrars to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrars to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in para (a) above shall have to be followed.

In case the signature of the shareholder(s) who has renounced the Rights Shares, does not agree with the specimen registered with the Bank, the application will be rejected and the Rights offer will lapse.

**c. Renounee(s)**

The person in whose favour the equity shares are renounced should fill in and sign Part C and submit the entire application form to the Bankers or to the collection centres to the Issue on or before the closing date of the Issue along with the application money.

**d. Change and/or introduction of additional holders**

If you wish to apply for equity shares jointly with any other person or persons, not more than three, who is/are not already joint holders with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above for renunciation shall have to be followed. However, this right of renunciation is subject to the express condition that the Board of Directors of the Bank shall be entitled in its absolute discretion to reject the request for allotment from the renounee(s) without assigning any reason thereof.

**SPLITTING COMPOSITE APPLICATION FORM**

Request for split forms should be sent to the Registrar to the Issue, MCS Ltd., before the closure of business hours on or before February 24, 2006 by filling in part D of the CAF along with entire CAF. Split forms cannot be re-split. The renounee(s) shall not be entitled to split form(s). The split form shall be sent to the applicant by post at the applicant's risk.

**Please note that:**

- a. Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used otherwise, this will render the application invalid.
- b. Request for split form should be made for one equity share or in multiples thereof.
- c. Only the person to whom this Letter of Offer has been addressed and not the renounee(s) shall be entitled to apply for split forms. Forms once split cannot be split again.

**ADDITIONAL EQUITY SHARES**

You are also eligible to apply for additional equity shares over and above the number of equity shares offered to you, provided that you have applied for all the equity shares offered without renouncing them in whole or in part in favour of any other person. If you desire to apply for additional Equity Shares, please indicate your requirement in Block IV of Part 'A' of the CAF. As per the notification issued by RBI under FEMA, existing nonresident shareholders may apply for issue of additional equity shares over and above the rights entitlements and the Bank may allot the same subject to condition that overall issue of shares to non -resident in the total paid up capital of the Bank does not exceed the sectoral cap. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, subject to the same conditions including restrictions in regard to the reparability as are applicable to the original shares against which Rights shares are issued. Where the number of Equity Shares applied for exceeds the number available for allotment, the allotment of shares would be made in consultation with the Designated Stock Exchange.



The summary of options available to the equity shareholders is presented below. You may exercise any of the following options with regard to the equity shares offered to you, using the enclosed CAF:

<b>Option Available</b>	<b>Action Required</b>
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A ( <i>all joint holders must sign</i> )
2. Accept your entitlement in full and apply for additional equity shares.	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
3. Renounce your entitlement to all the equity shares offered to you, to one person (joint renounees are considered as one).	Fill in and sign Part B (all joint holders must sign) indicating the number of equity shares renounced and hand it over to the renounee. The renounees must fill in and sign Part C ( <i>all joint renounees must sign</i> )
4. Accept a part of your entitlement to the equity shares offered to you and renounce the balance to one or more renounee(s). OR Renounce your entitlement to all the equity shares offered to you to more than one renounee.	Fill in and sign Part D (all joint holders must sign) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once.  Request for split forms must be in multiples of 50 equity shares only and one split form for the balance shares, if any. On receipt of the split form take action as indicated below.  a. For the equity shares you wish to accept, if any, fill in and sign Part A.  b. For the Equity shares you wish to renounce, fill in and sign Part B indicating the number of equity shares renounced and hand it over to the renounees. Each of the renounees should fill in and sign Part C for the equity shares accepted by them.
5. Introduce joint-holder or change the sequence of joint holder	This will be treated as a renunciation. Fill in and sign Part B and the renounees must fill in and sign part C.

Applicants must provide information in the CAF as to their savings Bank/current account number and the name of the Bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the depositories will be printed on the refund warrant in case of shares held in electronic form.

**Applicants must write their CAF Number at the back of the cheque/demand draft.**

**ISSUE OF DUPLICATE SHARE CERTIFICATE**

If any Equity Share(s) is/are mutilated or defaced or the cages for recording transfers of Equity Share are fully utilized, the same may be replaced by the Bank against the surrender of such Certificate(s). Provided, where the Equity Share Certificate(s) are mutilated or defaced, the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Shares Certificate is destroyed, stolen or lost, then upon production of proof thereof to the satisfaction of the Bank and upon furnishing such indemnity/ surety and/or documents as the Bank may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

**NOTICES**

All notices to the Equity Shareholder(s) required to be given by the Bank shall be published in one English National daily with wide circulation, a regional language daily in Satara being the place where the registered office of the Bank is situated.

**GENERAL**

- a. Please read the instructions printed on the enclosed CAF carefully.
- b. The CAF would be printed in black ink for all shareholders.
- c. Application should be made on the printed CAF, provided by the Bank except as under the head "Application on Plain Paper" in this Letter of Offer and should be completed in all respects.
- d. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of Bank commission and other charges, if any.
- e. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's/ husband's name must be filled in block letters.
- f. Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the Constitution of India. Signatures other than in the aforesaid languages or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- g. Applicants are advised to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- h. The CAF together with cheque/demand draft should be sent to the Bankers to the Issue/collection centers or to the Registrars and not to the Bank or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Bank for collecting applications, will have to make payment by Demand Draft payable at Mumbai and send their application forms to the Registrars to the Issue by REGISTERED POST after deducting DD and postal charges. If any portion of the CAF is detached or separated, such application is liable to be rejected.
- i. Applications for a total value of Rs. 50,000/- or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000/- or more the applicant or in the case of application in joint names, each of the applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60/Form 61 prescribed under the I. T. Act along with the application. Composite Application Forms without this photocopy/PAN Communication/declaration will be considered incomplete and are liable to be rejected
- j. In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Offer and to sign the application and a copy of the Memorandum and Articles of Association and/or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected.
- k. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Bank. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three.
- l. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant at the address given in the CAF.
- m. The shareholders must sign the CAF as per the specimen signature recorded with the Bank.
- n. Application(s) received from Non-Resident/NRIs, or persons of Indian origin residing abroad for allotment of Equity shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI



under FEMA in the matter of refund of application money, allotment of equity shares, subsequent Issue and allotment of Equity shares, dividend, export of share certificates, etc. In case a Non-Resident or NRI shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.

- o. All communication in connection with application for the equity shares, including any change in address of the shareholders should be addressed to the Registrars to the Issue prior to the date of allotment in this issue quoting the name of the first/sole applicant shareholder, folio numbers/beneficiary identity number and CAF number.
- p. Split forms cannot be re-split.
- q. Only the person or persons to whom equity shares have been offered and not renouncee(s) shall be entitled to obtain split forms.
- r. Applicants must write their CAF number at the back of the cheque/demand draft.
- s. **Bank Account Details:** It is mandatory for the applicant to mention the applicant's Savings Bank/Current Account number and the name of the Bank with whom such account is held in the space provided in the CAF, to enable the Registrars to the Issue, to print the said details in the refund orders after the name of the payees. Such applications not containing the above details are liable to be rejected.
- t. Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- u. A separate cheque/draft must accompany each CAF. Outstation cheques/demand drafts or post-dated cheques and postal/money orders will not be accepted and applications accompanied by such cheques/demand drafts/ money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (w) below)
- v. No receipt will be issued for application money received. The Bankers to the Issue/Collecting Bank/Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- w. **Payment by cash:** The payment against the share application should not be effected in cash if the amount to be paid is Rs. 20,000/- or more. In case payment is effected in contravention of this, the application will be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.

#### **GROUND FOR TECHNICAL REJECTION**

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- 1. Amount paid does not tally with the amount payable for;
- 2. Bank account details (for refund) are not given;
- 3. Age of First Applicant not given;
- 4. Applications by Minors;
- 5. PAN photocopy / PAN communication / Form 60 / Form 61 declaration not given if application is for Rs. 50000 or more.
- 6. In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- 7. If the signature of the existing shareholder does not match with the one given on the CAF and for renouncees if the signature does not match with the records available with their depositories;



8. If the Applicant desires to have shares in electronic form, but the application form (CAF) does not have the Applicant's depository account details;
9. CAF are not submitted by the applicants within the time prescribed as per the instructions in the CAF and the Letter of Offer;
10. Applications not duly signed by the sole/joint applicants;
11. OCBs who cannot apply in terms of RBI restrictions;
12. Applications accompanied by Stockinvest;
13. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity;
14. Applications by ineligible Non -residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

**MODE OF PAYMENT****FOR RESIDENT SHAREHOLDERS**

Only one mode of payment per application should be used. The payment must be either in cash or by cheque/demand draft drawn on any of the Banks (including a co-operative Bank), which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted. The payment against the share application should not be effected in cash if the amount to be paid is Rs. 20,000/- or more, as per Section 269 SS of the Income-Tax Act, 1961. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.

Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

All cheques/drafts accompanying the CAF should be drawn in favour of "**The United Western Bank Ltd. A/c. UWBL - Rights Issue**" and crossed "A/C Payee only". No receipt will be issued for application money received. The Bankers to the Issue/Collecting Bank/Collection centres will acknowledge receipt of the same by stamping and returning the acknowledgement slip at the bottom of the CAF.

Applicants residing at places other than places where the Collection Centres have been opened by the Bank for collecting applications, are requested to send their applications together with Demand Draft (net of DD charges) favouring the "**The United Western Bank Ltd. A/c. UWBL - Rights Issue**" payable at Mumbai, directly to the Registrars to the Issue by REGISTERED POST so as to reach them on or before the closure of the Issue. The Bank or the Registrars will not be responsible for postal delays, if any.

New demat account shall be opened for holders who have had a change in status from Resident Indian to NRI.

**FOR NON-RESIDENT INDIAN SHAREHOLDERS**

As regards the application by NRI shareholders, the following further conditions shall apply:

Payment by NRIs/FIIs must be made by demand draft/cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

Application on repatriation basis (only by existing shareholders and renounees having the requisite permission of RBI)

- a. By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad; OR
- b. By cheque/draft on a Non -Resident External Account (NRE) or FCNR Account; OR
- c. Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in Mumbai; OR
- d. FIIs registered with SEBI must remit funds from special non -resident rupee deposit account.





All cheques/drafts submitted by NRIs/ FIIs should be drawn in favour of “**The United Western Bank Ltd. A/c. UWBL - Rights Issue - NR**” payable at Mumbai and must be crossed “**A/c Payee only**” for the amount payable.

A separate cheque or Bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the Bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected. In case where repatriation benefit is available, dividend and sales proceeds derived from the investment in shares can be remitted outside India, subject to tax, as applicable according to the Income-tax Act, 1961 and subject to the permission of the RBI, if required.

In the case of NRI's who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF.

In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Applications received from NRs (Non -Residents), NRIs and persons of Indian origin resident abroad, for allotment of Equity Shares shall be inter-alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / Share Certificates, Warrant Certificate, dividends, etc.

#### **Application on non-repatriation basis**

As far as NRIs holding shares on non-repatriation basis are concerned, in addition to the ways specified above, payment may also be made by way of cheque drawn on Non-Resident (ordinary) account or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity shares will be on non-repatriation basis.

All cheques/drafts submitted by NRIs/ FIIs should be drawn in favour of “**The United Western Bank Ltd. A/c. UWBL – Rights Issue**” payable at Mumbai and must be crossed “A/c Payee only” for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the collecting Bank indicated on the reverse of the CAF before the close of banking hours on the Issue closing date. A separate cheque or Bank draft must accompany each application form.

Applicants may note that where payment is made by drafts purchased from NRE/FCNR/NRO accounts as the case may be, an Account Debit Certificate from the Bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR/NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

**Note:** In case where repatriation benefit is available, dividend and sales proceeds derived from the investment in shares can be remitted outside India, subject to tax, as applicable according to the Income Tax Act, 1961.

In case shares are allotted on non -repatriation basis, the dividend/sale proceeds of the equity shares cannot be remitted outside India.

The CAF duly completed together with the amount payable on application must be deposited with the collecting Bank indicated on the reverse of the CAF before the close of banking hours on the aforesaid Issue closing date. A separate cheque or Bank draft must accompany each application form.

In case of applications received from Non-Resident Indians, refunds and other distribution, if any, will be made in accordance with the guidelines/rules prescribed by RBI as applicable at the time of making such remittance and subject to necessary approvals.

**AVAILABILITY OF DUPLICATE CAF**

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/DP and Client ID number and his/her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/found subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

**APPLICATION ON PLAIN PAPER**

A shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with an Account Payee Cheque drawn on a local Bank at Mumbai/Draft payable at Mumbai (net of bank and postal charges) and send the same by Registered Post directly to the Registrars to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Bank, must reach the office of the Registrars to the Issue before the date of closure of the Issue and should contain the following particulars: -

1. Name of the Issuer, being The United Western Bank Limited;
2. Name of the shareholder including joint holders;
3. Address of sole/first holder;
4. Registered Folio Number/DP ID number and client ID number;
5. Number of shares held as on Record Date;
6. Certificate numbers and Distinctive numbers, if held in physical form;
7. Number of Rights Equity Shares entitled (One Equity Share for every Two Equity Shares held);
8. Number of Rights Equity Shares applied for;
9. Number of additional equity shares applied for, if any;
10. Total number of equity shares applied for;
11. Total amount paid at the rate of Rs. 24/- per Equity Share;
12. Particulars of Cheque/Draft enclosed;
13. Savings/Current Account Number and Name and Address of the Bank where the shareholder will be depositing the refund order;
14. PAN/GIR number, Income Tax Circle/Ward/District, photocopy of the PAN card/ PAN communication / Form 60 / Form 61 declaration where the application is for Equity Shares of a total value of Rs. 50,000 or more for the applicant and for each applicant in case of joint names, and
15. In case of Non-resident shareholders, NRE/FCNR/NRO account no., Name and address of the Bank and branch;
16. Signature of shareholders to appear in the same sequence and order as they appear in the records of the Bank.

Payments in such cases should be through a cheque/demand draft payable at Mumbai to be drawn in favour of the **"The United Western Bank Ltd. A/c UWBL- Rights Issue"** and the marked **"A/c Payee"** in case of resident shareholders and non-resident shareholders applying without repatriation basis. Payment in case of non-resident shareholders holding on repatriable basis shall be drawn in favour of the **"The United Western Bank Ltd. A/c UWBL- Rights Issue - NR"** and the marked **"A/c Payee"**. The envelope should be superscribed **"UWBL - Rights Issue"**.



Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilise the CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications. The Bank shall refund such application amount to the applicant without any interest thereon.

### **LAST DATE FOR SUBMISSION OF CAF**

The last date for receipt of the CAF by the Banker to the Issue at its Collecting Branches, together with the amount payable, is on or before the close of banking hours on March 11, 2006. The Board will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the date the Issue opens. If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrars to the Issue at its Collection Branches on or before the close of Banking hours on or before March 11, 2006, the offer contained in this Letter of Offer shall be deemed to have been declined, and the Board shall utilise this entitlement for allotting the Equity Shares as mentioned below under the heading "Basis of Allotment".

### **INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE BANK CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.**

### **DISPOSAL OF APPLICATION & APPLICATION MONEY**

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto..

In case an application is rejected in full, the whole of the application money received will be refunded to the first named applicant. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on shares allotted, will be refunded to the first named applicant within six weeks from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay in refund of application money by more than 8 days after the Bank becomes liable to pay (i.e. forty two days after the closure of Issue), the Bank will pay interest for the delayed period at the rate prescribed under subsection (2) and (2A) of Section 73 of the Act.

The subscription monies received in respect of this Issue will be kept in a separate Bank account and the Bank will not have access to nor appropriate the funds until it has satisfied the National Stock Exchange (Designated Stock Exchange) with suitable documentary evidence that minimum subscription of 90 per cent of the application money for the Issue has been received.

**No separate receipt will be issued for the application money. However, the Banker to the Issue at its collecting branches physically receiving the application will acknowledge its receipt by stamping and returning the perforated acknowledgement slip at the bottom of each CAF. Except for the reasons stated under "GROUNDS FOR TECHNICAL REJECTIONS" in this Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the Bankers to the issue shall be valid and binding on issuer and other persons connected with the Issue.**

### **BASIS OF ALLOTMENT**

The Board, subject to provisions contained in this Letter of Offer and the Articles of Association of the Bank will proceed to allot the equity shares in the following order of priority:

- a. Full allotment to those shareholders who have applied for their rights entitlement either in full or in part and also to the renounee(s) who has/have applied for Equity shares renounced in their favour, in full or in part.
- b. To the shareholders who having applied for all the Equity shares offered to them as their rights entitlement, have also applied for additional equity shares, provided there is an under subscribed portion after making full allotment in (a) above. The allotment of such additional shares will be made with reference to the number of equity shares held by those shareholders on the Record Date within the overall size of the Rights Issue in consultation with the Designated Stock Exchange, as a part of the Rights Issue and not as a preferential allotment.
- c. To the renounees who having applied for the Equity shares renounced in their favour have also applied for additional Equity shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity shares will be made on a proportionate basis at the sole discretion of the Board/Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Rights Issue and not as a preferential allotment.

If the shareholding of any of the Equity Shareholders is less than two or not in multiples of two, then such shareholders shall be offered one (1) additional shares at the time of offering and such number of additional shares at the time of offering shall be adjusted against the Rights offered to Directors/ Major shareholders of the Bank.



After taking into account the allotments made under (a), (b) and (c) above, if there is still any under subscription, the un-subscribed portion shall be disposed off by the Board/Committee of Directors upon such terms and conditions and to such person/persons and in such manner as the Board/Committee of Directors may in its absolute discretion deem fit.

The basis of allotment shall be finalised by the Board in consultation with NSE, which is the Designated Stock Exchange, within a period of 42 days from the date of closure of the Issue. In case of delay in allotment the Company shall, as stipulated under Section 73(2A) of the Act, be required to pay interest on the same at a rate of 15 per cent p.a.

**No over subscription shall be retained by the Bank.**

#### **ALLOTMENT / REFUND**

The Bank will issue and dispatch letters of allotment/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of six weeks from the Issue Closing Date. If such money is not repaid within 8 days from the day the Bank becomes liable to pay it, the Bank shall pay that money with interest as stipulated under Section 73 of the Act.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialised form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

In case the Bank issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information, please refer to the section entitled 'Letters of Allotment / Share Certificates / Demat Credit' on page no. 196 of this Letter of Offer.

Letters of allotment/share certificates/demat credit/ refund orders above the value of Rs. 1,500/- will be dispatched by registered post/ speed post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500/- shall be sent to the applicants by way of under certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of such letters of allotment/ share certificates/ demat credit and refund orders.

As regards allotment/ refund to non-residents, the following further conditions shall apply:

In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Bank will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

#### **LETTERS OF ALLOTMENT / EQUITY SHARE CERTIFICATES /REGRET LETTERS ALONG WITH REFUND ORDERS /DEMAT CREDIT**

Letter(s) of allotment/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 6 (six) weeks, from the date of closure of the subscription list. In case the Bank issues letters of allotment, the relative share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

**OPTION TO RECEIVE THE RIGHTS EQUITY SHARES IN DEMATERIALISED FORM**

Applicants have the option to hold the equity shares in electronic form under the depository system. The Bank has signed an agreement with National Securities Depository Limited (NSDL) on October 27, 2004 and with Central Depository Services (India) Ltd. (CDSL) on October 21, 2004, which enables an investor to hold and trade in securities in a dematerialized (electronic/demat) form, instead of holding equity shares in the form of physical certificates. Equity shares being offered through this Rights Issue will be admitted to NSDL and CDSL, when allotted.

Applicants may note that they have the option to subscribe to the Rights Equity Shares in demat or physical form, or partly in demat and physical form, in the same application, in the space provided. No separate applications for demat and physical shares are to be made. If such application is made, the applications for physical shares will be treated as multiple applications and rejected accordingly. In case of partial allotment, allotment will be first done in demat form, and the balance, if any, will be allotted in physical form. The equity shares of the Bank have been included in the Compulsory Demat list with effect from June 25, 2000 as per SEBI directives for all classes of investors. Hence, investors may note that the equity shares of the Bank can be traded on the stock exchanges only in demat form.

The procedure for opting for this facility for allotment of equity shares arising out of this Issue in electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Bank. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order and style as are appearing in the records of the Bank). In case of Investors having various folios in the Bank with different joint holders, the investors will have to open separate beneficiary accounts for such holdings. This step need not be adhered to by those shareholders who have already opened such Beneficiary Account(s).
2. For shareholders holding shares in dematerialised form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights equity shares by way of credit to such account the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of equity shares arising out of this Issue can be received in demat form even if the original equity shares of the Bank are not dematerialised. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the shareholders and the names are in the same order and style as are appearing in the records of the Bank.
3. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the applicant's Depository Participant would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.
4. If incomplete/incorrect Beneficiary Account details are given in the CAF or where the investor does not opt to receive the Rights equity shares in demat form, the Bank will issue equity shares in the form of physical certificate(s).
5. The Rights equity shares allotted to investors opting for demat form, would be directly credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrars to the Issue but the confirmation of the credit of the Rights equity shares to the applicant's Depository Account will be provided to the applicant by the applicant's Depository Participant.
6. Renouncees can also exercise this option to receive equity shares in the demat form by indicating in the relevant block and providing the necessary details about their Beneficiary Account.

**NOTE: Shareholders/applicants are advised to apply for receiving the new equity shares that may be allotted to them in the demat form only, since trading in the equity shares of the Bank is permissible only in the demat form.**

**Any of the following renunciations:**

- a. From Resident(s) to Non-Resident Indian(s)
- b. From Non - Resident Indian(s) to Resident(s)
- c. From Non - Resident Indian (s) to Non -Resident Indian(s) is also subject to the renouncer(s) / renounee(s) obtaining the necessary approval of the RBI under the provisions of the Foreign Exchange Management Act, 1999 and other applicable laws and such permission should be attached with the CAF.

**Renounee(s) have right to apply for additional shares and the renounee(s) cannot further renounce his/her entitlement.**

**DESPATCH OF REFUND ORDERS**

The Bank shall ensure dispatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting & Refund Orders of value over Rs.1500/- and Share Certificates by Registered Post only. Further, adequate funds for the said purpose shall be made available to the Registrar by the Bank.

**INTEREST IN CASE OF DELAY IN ALLOTMENT/DESPATCH**

The Bank agrees that:

1. Allotment of securities offered shall be made within 30 days of the closure of the Rights Issue;
2. The Bank shall pay interest @ 15 per cent per annum if the allotment has not been made and/or the allotment letters/refund orders have not been dispatched to the investors within 42 days from the date of the closure of the Issue. However, applications received after the closure of the issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

**UNDERTAKING BY THE BANK**

The Bank undertakes

- a. That the complaints received in respect of the Issue shall be attended to by the Bank expeditiously and satisfactorily;
- b. That all steps for completion of the necessary formalities for listing and trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalization of the basis of allotment;
- c. That the funds required for dispatch of refund orders/allotment letters/certificates by registered post shall be made available to the Registrar to the Issue
- d. That the certificates of the securities/refund orders to the non-resident Indians shall be dispatched within specified time.
- e. That no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application moneys are refunded on account of non-listing, under subscription, etc subject to the following:

“The Bank proposes to issue Bonus Shares before the securities offered through this Letter of Offer are listed or till the application moneys are refunded on account of non-listing, under subscription, etc. Therefore, the eligibility of Rights shall be based upon the Post Bonus Share Capital. For this, the Bank had approached SEBI for obtaining exemption from the provisions of Clause 8.7.1 of the SEBI (DIP) Guidelines, 2000 as amended till date. SEBI vide its letter CFD/DIL/MISC/PB/PR/55312/2005 dated December 07, 2005 has exempted the Bank from complying with the provisions of Clause 8.7.1 of the SEBI (DIP) Guidelines, 2000. As a result the Bank has kept a composite record date for the purpose of deciding the entitlement of Bonus and Rights shares. Further, the Bank would also be allotting and listing the Bonus Shares during the period commencing from the submission of Letter of Offer to SEBI for the rights issues, till the securities referred to in the said Letter of Offer have been listed or application moneys refunded on account of non-listing or undersubscription, etc.”



- f. The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
- g. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research reports, etc.

**UTILISATION OF ISSUE PROCEEDS**

The Board of Directors undertake that

- a. All monies received out of issue of shares to public shall be transferred to separate Bank account other than the Bank account referred to in sub -section (3) of section 73;
- b. Details of all moneys utilised out of the issue referred to in sub-item a) shall be disclosed under an appropriate separate head in the balance-sheet of the Bank indicating the purpose for which such monies had been utilised.
- c. Details of all unutilised monies out of the issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance-sheet of the Bank indicating the form in which such unutilised monies have been invested.

The funds received against this Rights Issue will be kept in a separate Bank account and the Bank will not have any access to such funds unless it satisfies the National Stock Exchange of India Limited (Designated Stock Exchange) with suitable documentary evidence that the minimum subscription of 90 per cent of the Issue has been received by the Bank.

The funds raised through this Rights Issue of Equity Shares would be utilised only towards satisfactory fulfillment of the "Objects of the Issue" as mentioned on page no. 35 in this Letter of Offer.

**RESTRICTION ON FOREIGN OWNERSHIP**

The Government of India regulates foreign ownership in private sector Banks. Under guidelines recently issued by the Government, total foreign ownership in a private sector Bank from all sources (FDI, FII, NRI) cannot exceed 74 per cent of the paid-up capital. The limit of 74 per cent will be reckoned by taking the direct and indirect holding. At all times, at least 26 per cent of the paid up capital of the Private Sector Bank will have to be held by residents. In addition, the restrictions on shareholding as provided under "Restrictions on Transfer of Shares" shall be equally applicable to Foreign Direct investment. Shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49 per cent of the paid-up capital. Individual NRI portfolio investment is restricted to 5 per cent with the aggregate limit for all NRIs restricted to 10 per cent but can be raised to 24 per cent with the approval of Board/General Body.

**IMPORTANT**

1. The present Rights Issue is pursuant to the resolution passed by the Board at its meeting held on August 26, 2005.
2. This offer is applicable only to those equity shareholders of the Bank whose names appear as beneficial owners as per the list furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Bank in respect of shares held in physical form as on Record Date January 25,2006
3. Please read this Letter of Offer (LoF) carefully. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.



- All inquiries in connection with this LoF or the accompanying CAF and requests for split forms must be addressed (quoting the Registered Folio Number, DP ID and Beneficiary ID, the CAF Number and the name of the first shareholder as mentioned on the CAF and superscribed “**The United Western Bank Ltd. – Rights Issue**” on the envelope) to the Registrar to the Issue at the following address:

**MCS Ltd.**

Sri Venkatesh Bhavan, Plot No. 27,  
Road No. 11, M.I.D.C., Andheri (E)  
Mumbai – 400 093  
Tel: (022) 5502 5235; Fax: (022) 5502 5256  
E-mail: [mcsmum@vsnl.com](mailto:mcsmum@vsnl.com)  
Website: [www.mcsind.com](http://www.mcsind.com)

In case the original CAF is not received, or is misplaced by the applicant, the Registrars will issue a duplicate CAF on the request of the applicant who should furnish the Registered Folio Number/ DP ID and Beneficiary ID and his/her full name and address to the Registrars to the Issue. Please note that those who are making the application in the duplicate form should not utilise the standard CAF for any purpose including renunciation, even if it is received subsequently.

If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications.

- It is to be specifically noted that the issue of equity shares is subject to Risk Factors appearing on page no. 6 of this Letter of Offer.
- The Rights Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum of 60 days.
- Investors are advised to contact the Compliance Officer in case of any pre-issue/post-issue related problems.





## MAIN PROVISIONS OF ARTICLE OF ASSOCIATION

The main provisions of the Articles of Association of the Bank (hereinafter referred to as the Article(s) are reproduced below.

### Allotment of Shares (Article 4)

4. Subject as aforesaid, the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times, as the Directors think fit, and with full power to give to any person the call of any shares either at par or at a premium, and for such time, and for such consideration as the directors think fit, provided that option or right to call of shares shall not be given to any person without the sanction of the Bank in General Meeting.

### Certificates (Articles 11 to 14)

11. "The certificates of Title to Shares shall be issued under the seal of Bank, and signed by two Directors and countersigned by the General Manager/Secretary or any other Officer authorised by the Board, for the purpose. The Bank, unless prohibited by any provision of law or any order of any court, tribunal or other authority, shall within three months after the allotment of any of its shares and" within one month from the date of lodgment of valid instrument of transfer of any shares, deliver in accordance with the procedure laid down in Sec. 53 of the Act, the certificate of all shares allotted or transferred.
12. Member's right to: Every member shall be entitled to one certificate for all the shares registered in his name. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued and the amount paid up thereon. For any further certificate the directors shall be entitled and prescribe such a charge as may be provided in the relevant rules or further amendments thereto under the Companies (Issue of share Certificate) Rules-1960 and for the time being in force.
13. Issue of certificate in place of one defaced, lost or destroyed: If any certificate be worn out, defaced, destroyed or lost or if there is no further space on the back thereof for endorsements of transfer, it may be renewed or replaced on payment of such sum, as may be prescribed under the relevant Rules from time to time and for the time being in force and as the Directors may from time to time prescribe; provided that no fee shall be charged for issue of new certificates in replacement of those which are odd, decrepit or worn out or where the cages on the reverse for the recording transfers having fully utilised. Provided however that such new certificate shall not be granted except upon delivery up of the worn out or defaced used-up certificate for the purpose of cancellation or upon proof of destruction or loss to the satisfaction of the Directors and on such indemnity as the Directors deem adequate in the case of the certificate having been destroyed or lost. Any renewed certificate may be marked as such.
- 13A. Stamp duty on share certificate: Notwithstanding any thing contained in Articles 11, 12, 13 of the Articles Of Associations of the Bank, the Board of Directors may at the discretion charge and recover the stamp duty payable on the share certificate issued in replacement of those that are torn, defaced, lost or destroyed. No fees shall be charged for certificates issued upon splitting, and/or consolidation into marketable lots and such payment should be made by the shareholder receiving the certificate prior to the issue of share certificate.
14. To which of joint holders certificates to be issued: The certificate of shares registered in the names of two or more persons shall, unless otherwise directed by them, be delivered to the person first named on the register.

### Forfeiture and Lien (Article 23 to 33)

23. If call or installment not paid, notice may be given: If any member fails to pay any call or installment on or before the day appointed for the payment of the same the directors may at any time thereafter during such, time as the call or installment remains unpaid serve a notice on such member requiring him to pay the same, together with any interest that may have accrued, and all expenses that may have been incurred by the Bank by reason of such non-payment.



24. Form of notice: The notice shall name a day and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.
25. If notice not complied with shares may be forfeited: If the requisition of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest, and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeitures shall include all dividends declared in respect of the forfeited shares, and not actually paid before the forfeiture.
26. Forfeited share to become property of Bank: Any share so forfeited shall be deemed to be the property of the Bank, and the Directors may sell, re-allot, and otherwise dispose of the same in such manner as they think fit.
27. Power to annual forfeiture: The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted, or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.
28. Arrears to be paid notwithstanding forfeiture: Any member whose shares have been forfeited shall, notwithstanding, be liable to pay, and shall forthwith pay to the Bank, all calls, installment, interest and expenses owing upon or in respect of such shares at the time of forfeiture, together with interest thereon, from the time of forfeiture until payment, at 9 percent per annum, and the Directors may enforce the payment thereof if they think fit.
29. Bank's lien on shares: The Bank shall have a first and paramount lien on every share (other than fully paid up shares) for all moneys (whether presently payable or not) payable at fixed time in respect of such shares and upon the proceeds of sale thereof and no equitable interest in any such shares shall be created except upon the footing and condition that clause 9 hereof is to have full effect and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as waiver of the Bank's lien, if any, on such shares. The Directors may at any time declare any shares to be wholly or in part exempt from the provisions of this article.
30. As to enforcing lien by sale: "For the purpose of enforcing such lien, as aforesaid, the Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made:-
  - a) Unless a sum in respect of which the lien exist is presently payable, and
  - b) Until the expiration of seven days after a notice in writing stating and demanding payment of such part of the amount in respect of which lien exist as is presently payable, has been given to the registered holder for the time being of the Shares or to the person entitled thereto by transmission and default shall have been made by him in the payment of the sum payable as aforesaid for seven days after such notice."
31. Application of proceeds of sale: " The net proceeds of any such sale and the whole or any portion of the dividends due by the Bank on such shares, shall be received by the Bank and applied in or towards payment of such part of the amount in respect of which the lien exists is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares on the date of the sale."
32. Validity of sales under clauses 26 and 30: Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the directors may cause the purchaser's name to be entered in the respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the register in respect of such shares, the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Bank exclusively. A certificate in writing under the seal of the Bank that the shares of the Bank have been duly forfeited or sold in accordance with the Regulations of the Bank shall be sufficient evidence of the facts therein stated as against all persons claiming such certificate and the receipt of the Bank for the price of such shares shall constitute a good title to the sale.



33. Application of forfeiture provisions: The provisions of these articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of the issue of a share, becomes payable at a fixed time, whether on account of the amount of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

**Transfer and Transmission (Articles 34 to 43)**

34. Execution of transfer, etc.: The instrument of transfer of any share shall be signed both by the transferor and transferee, and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the registered in respect thereof.
35. Form of transfer: The instrument of transfer of any share shall be in writing in such form as from time to time, may be prescribed by the Central Government under the Act.
- 35A: Nothing contained in the foregoing Articles shall apply to transferee, of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of Depositories
- However, any person / group intending of acquiring Bank's shares which together with his / its existing holding, if any, reaches a level of 5 per cent or above of the total issued capital of the Bank, should obtain the prior approval for the same from Reserve Bank of India subject to which his / its name will be entered as beneficial owners in the records of Depositories and the provisions of Article 36 shall be applicable to such persons / group to the extent necessary.
- 35B: In the case of transfer of shares or other marketable securities where the company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply.
36. Director's power to refuse to register a transfer:
- 1) Subject to the provisions of Section 111 of the Act, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law, of the right to, any shares or interest of a member in, and the company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Bank, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.
- Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons in-debted to the Bank on any account whatsoever except where the Bank has a lien on the shares.
- 2) It is hereby expressly declared that the powers conferred under sub clause 1 of the Articles shall be subject to the provisions of Section 22A of the Securities Contract (Regulation) Act, 1956 or any statutory modification or re-enactment thereof.
37. No transfer to infant etc: No transfer shall be made to a person of unsound mind and except in cases where the right to a share gets transmitted by operation of Law, the Bank shall not be obliged to register a share in the sole name of a minor.
38. Transfer to be left at office, and evidence of title given: Every instrument of transfer shall be left at the office for registration accompanied by the certificate of the shares to be transferred, and such other evidence as the Bank may require to prove the title of the transferor or his right to transfer the shares.
39. When transfers to be retained: All instruments of transfer, which shall be registered, shall be retained by the Bank but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same.
40. Fee on transfer: "The Bank shall not charge any fee for registration of a transfer of shares."
41. When transfer books and register may be closed: The transfer books and Register of Members may be closed during such time as the Directors think fit, not exceeding in the whole 45 days in each year, but not exceeding 30 days at any one time; provided that atleast seven days previous notice by advertisement in some news-paper circulating in the District in which the Registered Office of the Bank is situated is given.



42. Shares of deceased member: The executor or administrator of a deceased member (whether a European, Hindu, Mohammedan, Parsee, or other-wise) shall be the only person recognized by the Bank as having any title to his share except in case of joint holders, in which case the surviving holders or holder, or the executor or administrator of the last surviving holder shall be the only person entitled to be so recognized; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Bank shall not be bound to recognize such executor or administrator unless he shall have obtained probate or letters of administration or other legal representation, as the case may be from a duly constituted Court in British India or from any Court or authorized by any Act of the Legislative Council of India or by any order or notification of the Governor-General in Council to grant such probate or letters of administration; provided nevertheless that in special cases and in such only, it shall be lawful for the directors to dispense with the production of probate or letters of administration or such other legal representation upon such terms as to indemnify or otherwise as to the Directors may seem meet.
43. As to transfer of shares of deceased or bankrupt members. [Transmission clause]: Any person becoming entitled to shares in consequence of the death or Bankruptcy of any member, upon producing such evidence that he sustains the character in respect of which he proposes to act under this clause, or of his title, as the Directors think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member in respect of such shares, or may subject to the regulations as to transfers hereinbefore contained, transfer such shares. This clause is hereinafter referred to as "the transmission clause."

#### Sub-division and Consolidation of Shares (Articles 50 to 51)

50. Sub-division and Consolidation of Shares: The Bank may also, by special resolution, sub-divide or, by ordinary resolution, consolidate its shares or any of them.
51. Sub-division into Preferred and Ordinary: The Special Resolution where by any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital, voting, or otherwise over or as compared with the others or other.

#### Modification of Rights (Article 52)

52. Power to Modify Rights: Whenever the capital, by reason of the issue of preference share or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may be modified, commuted, affected, abrogated, or dealt with by agreement between the Bank and any person purporting to contract on behalf of the class, provided such agreement is ratified in writing by the holders of at least three-fourths in nominal value of the issued shares of the class, or is confirmed by an Extraordinary Resolution passed at a separate General Meeting of shares of that class and all the provisions hereinafter contained as to General Meetings, shall mutatis mutandis, apply to every such meeting. But so that the quorum thereof shall be members holding, or representing by proxy one fifth of the nominal amount of the issued shares of the class. This clause is not to derogate from any power the Bank would have had if this clause were omitted.

#### Borrowing Powers (Articles 53 to 56)

53. Power to Borrow: The Directors may, from time to time, at their discretion, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Bank.
54. Conditions on which money may be borrowed: The Directors may raise or secure the payment of repayment of such sum of sums in such manner and upon such terms and conditions in all respect as they think fit.
55. Securities may be assignable free from equities: Debentures, debenture stock, and other securities may be made assignable free from any equities between the Bank and the person to whom the same may be issued.



56. Issue at discount & / or with special privilege: Any Debentures, Debenture Stock, Bonds, or other securities may be issued at a discount, premium or otherwise, and may be issued on condition that they shall be convertible into shares of any denomination, and with any special privileges as to redemption, surrender, drawings, allotment of shares attending and voting at General Meetings of the Bank, appointment of Directors and otherwise. Debentures/Bonds, Debenture Stock/Bonds or other securities with the right to conversion into or allotments of shares shall be issued only with the consent of the Bank in General Meeting.

**Votes of Members (Articles 75 to 84)**

75. Votes of members: Upon a show of hands every member present in person shall have one vote and upon a poll every member present in person or by proxy shall have one vote for every share held by him, provided that no member shall, in respect of any shares held by him exercise voting rights on poll in excess of one per cent of the total voting rights of all the members of the Bank. Where a Corporation being a member is present either through a representative appointed under Section 187 of the Companies Act, 1956 or by a proxy shall be entitled to vote for such corporation as if it were an individual member.
76. Votes in respect of shares of deceased and Bankrupt members: Any person entitled under the transmission clause to transfer any shares may vote at any General Meeting in respect thereof in the same, manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting as the case may be, at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares, or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
77. Joint holders: Whether there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; and if more than one of such joint holders be present at any meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of this clause be deemed joint holders thereof.
78. Proxies permitted: Votes may be given either personally or by proxy.
79. Instrument appointing proxy to be in writing: The instrument appointing a proxy shall be in writing, under the hand of the appointer or of his attorney, or, if such appointer is a Corporation, under its common seal. A proxy need not be a member of the Bank and shall not have the right to speak at the meeting and shall not be entitled to vote except on a poll.
80. And to be deposited at office: The instrument appointing a proxy and the power of attorney, if any under which it is signed, shall be deposited at the office not less than forty eight hours before the time for holding the meeting or adjourned meeting or taking of the poll, at which the person named in such instrument proposes to vote but no instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

Every member entitled to vote at the meeting of the Bank or on any resolution to be moved there at shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the Bank, provided that not less than three day's notice in writing of the intention so to inspect is given to the Bank.

81. When vote by proxy valid, though authority revoked: A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principle, or revocation of the proxy, or transfer of the share in respect of which the vote is given , provided no intimation in writing of the death, revocation, or transfer shall have been received at the office before the meeting.
82. Form of proxy: The instrument appointing a proxy shall be in any of the forms set out in schedule IX of the Companies Act, 1956.



83. No member entitled to vote & c. while call due to Bank: No member shall be entitled to vote on any question, either personally or by proxy at any General Meeting, or upon a poll or be reckoned in quorum, whilst any call or other sum shall be due and payable to the Bank in respect of any of the shares of such member or in regard to which the Bank has, and has exercised any right of lien.
84. Resolution in writing of Directors in certain cases, to be equivalent to resolution of General Meeting: Any resolution passed by the Directors, notice whereof shall be given to the members in the manner in which notices are hereinafter directed to be given, and which shall, within one month after it shall have been so passed, be ratified and confirmed in writing by members entitled at a poll to three-fifths of the votes, shall be as valid and effectual as a resolution of a General Meeting; but this clause shall not apply to a resolution for winding up the Bank, or to a resolution passed in respect of any matter which by the statutes or these presents ought to be dealt with by Special or Extraordinary Resolution.

**Directors (Articles 85 to 95)**

85. Number of Directors: Until otherwise determined by a General Meeting the number of the Directors shall not be less than six or more than twelve.
86. Power for Directors to appoint Additional Directors: The Directors shall have power at any time and from time to time to appoint any qualified person as a Director either to fill a casual vacancy or as an addition to the Board but so that the total number of Directors shall not, at any time, exceed the maximum number fixed as above.

Any Director appointed to fill up a casual vacancy shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated and shall be eligible for re-election. Any Director appointed as an Additional Director shall hold office until the next following Ordinary General Meeting of the Bank and shall then be eligible for re-election.

Explanation: With this amendment to the Article of Association, it is intended to bring the provisions of the Articles of Association of the Bank in conformity with provisions of sub-section (2) of Section 262 of the Companies Act, 1956 which permits a Director appointed by the Board of Directors in a casual vacancy to hold office upto the date to which the Director in whose place he is appointed would have held office if it had not been vacated. Other provisions of the original Article remain unchanged.

87. Qualification of Directors: The qualification of a Director shall be the holding of shares in the Bank of nominal value of Rs. 2,000/-. Provided however, that the Chairman and Chief Executive, by whatever name called, the Debenture Director and alternate or Special Director shall not be required to hold any qualification shares.
88. Special Director: Notwithstanding anything contained in these presents the Bank in General Meeting may by an extraordinary resolution allow subject to such conditions and regulations as they think fit any class of shareholder to nominate one or more Directors or may allow a shareholder holding a particular number or a higher number of shares to nominate one or more Directors or if the management be entrusted to a firm or Company, may allow the said firm or Company to nominate one or more Directors. The Directors who are thus nominated under this article will be called Special Directors and shall not subject to any or all of the following articles viz. 87, 93, 96, 97, 98, 99, 101 and 102. These Special Directors shall ordinarily be entitled to hold office until requested by the authority appointing them to retire. As and whenever a Special Director vacates office whether upon request as aforesaid or under any condition or regulation or by death or otherwise, the authority aforesaid may appoint another in his place. He may also at any time by notice in writing to the Bank resign his office.
- 88A: Appointment of Alternate Director: A Director who is out of the Head Office town or about to go out of the Head-Office town, may, with the approval of the Directors, by notice in writing under his hand, appoint any duly qualified person to be Alternate Director during his absence, and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to notice of meeting of the Directors and to attend and vote thereat accordingly, but he shall ipso facto, vacate office, if and when the appointer returns to the Head Office town or vacates office as a Director or removes, the appointee from office by notice in writing under his hand.



89. First Director's qualification as to: A first Director may act before acquiring his qualification, but shall in any case acquire the same within one month from his appointment and unless he shall do so, he shall be deemed to have agreed to take the said shares from the Bank, and the same shall be forthwith allotted to him accordingly.
90. Remuneration of Directors: The sitting fees payable to a Director for attending a meeting of Board or Committees thereof shall be decided by the Board of Directors, from time to time, within the limits as may be prescribed by the Companies Act, 1956 or the Central Government.
91. Traveling expenses: The Directors may also be entitled to be paid their reasonable traveling and hotel and other expenses incurred in consequence of their attendance at Board Meetings, and otherwise in the execution of their duties as Directors.
92. Directors may act notwithstanding vacancy: The continuing directors may act notwithstanding any vacancy in their body: but so that if the number falls below the minimum above fixed, the directors shall not, except for the purpose of filling vacancies, act so long as the number is below the minimum.
93. When office of the Director to be vacated:
- (1) A person shall not be capable of being appointed as a Director of the Bank if: -
- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
  - (b) he is an undischarged insolvent;
  - (c) he has applied to be adjudicated as an insolvent and his application is pending;
  - (d) he has been convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of the expiry of the sentence, unless this disqualification has been removed by the Central Government.
  - (e) he has not paid any call in respect of shares held by him whether alone or jointly with others and six months have elapsed from the last date fixed for payment of the call, unless the disqualification has been removed by the Central Government.
  - (f) an order disqualifying him for appointment as a director has been passed by a Court in pursuance of Section 203 of the Companies Act, 1956 and is in force, unless the leave of the Court has been obtained for his appointment as provided in that Section;
  - (g) he is a director of any other Banking Company to which Section 16 of the Banking Regulation Act, 1949 applies;
  - (h) he is a director of other companies, which among themselves are entitled to exercise voting rights in excess of twenty per cent of the total voting rights of all the shareholders of the Bank.
- (2) The office of the Director shall ipso facto be vacated if: -
- (a) fails to obtain the share qualifications prescribed by Article 87 within two months after his appointment as such, or at any time thereafter ceases to hold the share qualification;
  - (b) he is found to be of unsound mind by a Court of competent jurisdiction;
  - (c) he applies to be adjudicated an insolvent;
  - (d) he is adjudged an insolvent;
  - (e) he is convicted by a Court of any offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months;
  - (f) he fails to pay any call in respect of shares of the Bank held by him whether alone or jointly with others within six months from the last date fixed for the payment of call, unless the Central Government has removed the disqualification incurred by such failure.



- (g) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
  - (h) he acts in contravention of Article 94;
  - (i) he becomes disqualified by an order of the Court under Section 203 of the Companies Act, 1956;
  - (j) he becomes disqualified for appointment under either of the sub-clauses (g) and (h) of last preceding clause;
  - (k) he is removed by the Bank in General Meeting pursuant to Section 284 of the Companies Act, 1956.
- (3) The disqualifications under sub-clauses (d), (e) and (i) of clause (2) shall not take effect:-
- (a) for thirty days from the date of adjudication sentence or order;
  - (b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed off; or
  - (c) where within seven days aforesaid any further appeal or petition is preferred in respect of the adjudication, sentence or conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed off.
- (4) A Director may by notice in writing addressed to the Board or the Chairman of the Board of Directors resign his office. The director so resigning shall be deemed to have vacated his office when such notice is received by the Board or by the Chairman of the Board.
94. Directors may contract with Bank: No Director shall be disqualified by his office from contracting with the Bank either as vendor, purchaser, or otherwise, nor shall any such contract, or any contract or arrangement entered in to by or on behalf of the Bank in which any Director shall be in any way interested, be avoided nor shall any Director so contracting or being so interested be liable to account to the Bank for any profit realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relation thereby established, but it is declared that the nature of his interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined on, if his interest then exists or in any other case at the first meeting of the Directors after the acquisition of his interest, and that no Director shall as a Director vote in respect of any contract or arrangement in which he is so interested as aforesaid; and if he do so, his vote shall not be counted; but this prohibition shall not apply to any contract by or on behalf of the Bank to give to the Directors or any of them any security for advances or by way of indemnity, or to a settlement or set-off of cross claims. A general notice that a Director is a member of any specified firm or company, and is to be regarded as interested in any subsequent transactions with such firm or company, shall be sufficient disclosure under this clause, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or company.
95. Directors may be Directors of companies promoted by the Bank: A Director other than the Chairman and Chief Executive by whatever name called, may subject to the provisions of the Banking Regulation Act, 1949 be or become a Director of any company irrespective of whether such company is promoted by the Bank or in which it may be interested as a vendor, shareholder, or otherwise and subject to the provisions of the Companies Act, 1956 and these presents no such Director shall be accountable for any benefits received as Director or Shareholder of such company, provided, however, that the Chairman and Chief Executive by whatever name called may be or become a Director of subsidiary of the Bank or a Director of a company registered under Section 25 of the Companies Act, 1956 or such other company or companies as may be permissible under the provisions of the Banking Regulation Act, 1949 for the time being in force and he shall not be accountable for any benefits received as a Director or Shareholder of such company or companies.



**Rotation of Directors (Articles 96 to 102)**

96. **Rotation and Retirement of Directors:** At every Annual General Meeting 1/3 one-third or the nearest whole number to one-third of the Directors shall retire from office. A retiring Director shall retain office until the dissolution of the meeting at which his successor is duly elected.
97. **Which Directors to retire:** The Directors to retire at every Annual General Meeting will be those who have been longest in office since their last appointment. As between two or more who have been in office an equal length of time, the Director to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from his last election or appointment where he has previously vacated office. A retiring Director shall be eligible for re-election.
98. **Meeting to fill up vacancies:** The Bank at any General Meeting at which any Directors retire in manner aforesaid shall fill up the vacated offices by electing a like number of persons to be Directors and without notice in that behalf may fill up any other vacancies.
99. **Retiring Directors to remain in office till successors appointed:** If, at any General Meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled up, the retiring Directors, or such of them as have not had their places filled up, shall, if willing, continue in office until the ordinary meeting in the next year, and so on from year to year until their places are filled up, unless it shall be determined at such meeting on due notice to reduce the number of Directors.
100. **Power for General Meeting to increase or reduce number of Directors:** The Bank in General Meeting may from time to time increase or reduce the number of Directors, may alter their qualification and may also determine in what rotation such increased or reduced number is to go out of office.
101. **Power to remove Director by extraordinary resolution:** The Bank may by Extraordinary Resolution remove any Director before the expiration of his period of office, and appoint another qualified person in his stead: the person so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.
102. **When candidate for office of Director must give notice:** No person, not being a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any General Meeting, unless he, or some other member intending to propose him, has, at least fourteen days, before the meeting, left at the office a notice in writing duly signed signifying his candidature for the office or the intention of such member to propose him alongwith a deposit of such sum as may be prescribed under the relevant provisions of the Act, which shall be refunded to such person, or as the case may be, to such member, if the person succeeds in getting elected as a Director.

**Chairman/ Managing Director/ Executive Director/ Chief Executive Officer (Articles 103 to 106)**

103. **Power to appoint Chairman & Chief Executive / Managing Director / Executive Director:** Subject to the provisions of the Companies Act, 1956 and The Banking Regulation Act, 1949, the Directors may from time to time appoint one of their body to be the Chairman on a whole time or part time basis and or a Managing Director / Executive Director / Chief Executive on full time basis. Whereas Chairman is appointed on part time basis, the management of the whole of the affairs of the Bank shall be entrusted to a whole time Managing Director / Executive Director / Chief Executive, who shall exercise his powers subject to the superintendence, control and direction of the Board. Chairman, when appointed on whole time basis and/or Managing Director/ Executive Director/ Chief Executive shall be in the employment of the Bank and shall hold office for such period not exceeding five years at any one time as the Board may fix but shall subject to the statutory provisions be eligible for re-appointment. The Board may from time to time, subject to the provision of said Acts remove or dismiss any of them from their office and appoint another in his place.
104. **What provisions he will be subject to:** The whole time Chairman/ Managing Director/ Executive Director/ Chief Executive shall not, while he continues to hold that office be subject to retirement by rotation and he shall not be taken in to account in ascertaining the directors to retire for the purpose of Article 96, but he shall, subject to the provisions of any contract between him and the Bank, be subject to the same



provisions as to resignation and removal as the other Directors of the Bank and if he ceases to hold the office of Director from any cause, he shall, ipso facto and immediately, cease to hold the office of Chairman / Managing Director / Executive Director / Chief Executive as the case may be.

105. Remuneration of Chairman & Chief Executive/ Managing Director/ Executive Director etc: The remuneration of whole time Chairman/ Managing Director/ Executive Director/ Chief Executive by whatever name called shall be fixed in accordance with the provisions of the Companies Act, 1956 and the provisions of the Banking Regulation Act, 1949. He shall not be entitled to receive any fees for attending meetings of the Board of Directors or of any committee of Directors.
106. Powers and duties of Chairman and Chief Executive / Managing Director / Executive Director etc:
- (i) The Whole time Chairman or Managing Director / Executive Director / Chief Executive, by whatever name called shall be entrusted with management of the whole of the affairs of the Bank.
  - (ii) Without prejudice to the generality of Sub-clause(i) above the Directors may from time to time entrust to and confer upon whole time Chairman or Managing Director / Executive Director / Chief Executive for the time being such of the powers exercisable under these presents by the Directors as they think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers, either collaterally with or to the exclusion of and in substitution for all or any of the powers of the directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

#### **Proceedings of Directors (Articles 107 to 115)**

107. Meetings of Directors and quorum: The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit, provided that atleast one meetings shall be held in every three calendar months and atleast four such meetings shall be held in every year. The quorum for the meetings of the Directors shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher; provided that where at any time the number of Directors, who cannot vote because they are interested is equal to or exceeds two-thirds of the total strength the number of remaining Directors shall be the quorum during such time.
- Explanation: For the purpose of this Article the total strength of the Board of Directors shall be the maximum number prescribed under Article 85 minus the number of directors, if any whose places may be vacant at the time.
108. Directors may summon meeting: A Director may at any time convene a meeting of the Directors. Notice of every meeting of the Directors shall be given in writing to every Director for the time being in India, and at his usual address in India to every other Director.
- How questions to be decided: Questions arising at any meeting shall be decided by majority of votes.
109. Chairman: The Chairman and Chief Executive by whatever name called for the time being shall be Chairman of the Board of Directors. All meetings of the Directors shall be presided over by the Chairman and Chief Executive by whatever name called if the Chairman and Chief Executive by whatever name called if present, but if at any meeting of the Directors he be not present at the time appointed for holding the same then and in that case the Directors present shall choose someone of their number then present to preside at the meeting.
110. Power of quorum: A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions by or under the articles of the Bank for the time being vested in or exercisable by the Directors generally.
111. Powers to appoint committees and to delegate: The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Directors.



112. Proceedings of committee: The meetings and proceedings of any such committee, consisting of two or more members, shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto, and are not superseded by any regulations made by the Directors under the last preceding clause.
113. When acts of Directors or committee valid, notwithstanding defective appointment & c: All acts done by any meeting of the Directors or by a Committee of Directors, or by any person acting as a Director, shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person been duly appointed and was qualified to be a Director.
114. Resolution without Board meeting valid: A resolution in writing and signed by a majority of such of Directors as are then in India and are entitled to vote on that resolution shall be as valid and effectual as if it has been passed at a meeting of the Directors duly called and constituted; provided that the resolution has been circulated in draft together with the necessary papers, if any to all the Directors then in India (not being less in number than the quorum fixed for a meeting of the Board), and to all other Directors at their usual address in India.
115. Remuneration for extra Service: If any Director, being willing, shall be called upon to perform extra services (which expression shall include work done by a Director as a member of any committee formed by the Directors or in relation to signing Share - Certificates) or to make any special exertions in going or residing out of the Head office Town or otherwise for any of the purposes of the Bank, the Bank shall remunerate the director so doing either by a fixed sum or otherwise as may be determined by the Directors, and such remuneration may be either in addition to or in substitution for his or their share in the remuneration above provided.

**Powers of Directors (Articles 117 to 121)**

117. General Powers of Bank vested in Directors: The management of the business of the Bank shall be vested in the Directors, who, in addition to the powers and authorities by these presents or otherwise expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Bank and are not hereby or by statute expressly directed or required to be exercised or done by the Bank in General Meeting, but subject nevertheless to the provisions of the statutes, and of these presents, and to such regulations being not inconsistent with the aforesaid provisions as may from time to time be made by the Bank in General Meeting; provided that no regulations so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.
118. Specific powers given to Directors: Without prejudice to the general powers conferred by the last preceding clause, and the other powers conferred by those presents, it is hereby expressly declared that the Directors shall have the following powers, that is to say power:-
- (1) To Pay expenses: To pay the preliminary expenses incurred in the promotion and registration of the Bank.
  - (2) To acquire property: The purchase or otherwise acquire for the Bank any property, rights, or privileges which the Company is authorized to acquire at such price, and generally on such terms and conditions as they think fit.
  - (3) To pay for property in Debentures &c: At their discretion, to pay for any property, rights or privileges acquired by, or services rendered to the Bank, either wholly or partially in cash or in Shares, Bonds, Debentures etc.
  - (4) To secure contracts by mortgage: To secure the fulfillment of any contracts or engagements entered into by the Bank by mortgage or charge of all or any of the property of the Bank or in such other manner as they may think fit.
  - (5) To appoint officers &c: To appoint, and at their discretion, remove or suspend such Manager, Secretaries, Officers, Clerks, Agents, and Servants, for permanent, temporary or special services, as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments, and so require security in such instance and to such amount as they think fit.



- (6) To authorise Manager: To authorise or empower the Manager or other Officers for the time being of the Bank to exercise and perform all or any of the powers, authorities and duties conferred or imposed upon the Directors by the Memorandum or Articles of Association subject to such restrictions and conditions, if any, as the Board may think proper.
- (7) To accept surrender of shares: To accept from any Member, on such terms and conditions as shall be agreed, a surrender of his shares or any part thereof.
- (8) To appoint Trustees: To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Bank any property belonging to the Bank or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees.
- (9) To borrow money: To raise or borrow money from time to time by Bonds, Debentures or Promissory Notes or by opening Current Accounts or by reserving advances with or without security or by mortgaging any Lands, Buildings, Machinery, Goods or other Property of the Bank or by such other means as the Directors may deem expedient.
- (10) To draw Bills of Exchange &c: To draw, accept, endorse, negotiate and sell Bills of Exchange and other Negotiable Instruments with or without security.
- (11) To pay rent: To undertake on behalf of the Bank the payment of all rent and the performance of all covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Bank.
- (12) To insure: To insure or keep insured if deemed expedient all or any of the Buildings, Goods, Stores, or other or any Securities of the Bank either separately or conjointly for such period and to such extent as the Directors may think proper and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
- (13) To purchase reversion in land: To purchase the reversion or reversions and otherwise to acquire the freehold fee simple of all or any of the lands of the Bank for the time being held under lease or for an estate less than a freehold estate by the Bank.
- (14) To bring and defend actions &c: To Institute, Conduct, Defend, Compound or Abandon any legal proceedings by or against the Bank, or its Officers, or otherwise concerning the affairs of the Bank, and also to compound any debts due and of any claims or demands by or against the Bank.
- (15) To refer to arbitration: To refer any claims or demands by or against the Bank to arbitration, and observe and perform and awards.
- (16) To give receipts: To make and give receipts, releases and other discharges for money payable to the Bank and for the claims and demands of the Bank.
- (17) To authorise acceptance, &c: To determine who shall be entitled to sign on the Bank's behalf bill, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.
- (18) To appoint attorneys: From time to time to provide for the management of the affairs of the Bank outside the Head Office Town in such manner as they think fit and in particular to appoint any persons in or outside the Head Office Town to be the attorneys or agents of the Bank with such powers (including power to sub-delegate) and upon such terms as may be thought fit.
- (19) To invest moneys: To invest and deal with any of the moneys of the Bank not immediately required for the purposes thereof in such securities (not being shares in this Bank) and in such manner as they may think fit, and from time to time to vary or realize such investments.
- (20) To give security by way of indemnity: To execute in the name and on behalf of the Bank in favour of any director or other person who may incur or be about to incur any personal liability for the benefit of the Bank such mortgages of the Bank's property (present & future) as they think fit and any such mortgage may contain a power of sale and such other power, covenants, and provisions as shall be agreed on.



- (21) To give percentages: To give to any person employed by the Bank a commission on any particular business or transaction and such commission shall be treated as a part of the working expenses of the Bank.
- (22) Business of Commission Agents: To carry on business as commission agents.
- (23) May make advances: To make advances and loans on such security as they deem proper.
- (24) To carry on all deposit Banking: To establish and carry on the business, among others, of a saving Bank, to receive money on fixed, current and any other kind of deposit accounts and generally to do all sorts of Banking business.
- (25) To establish Reserve Fund: Before recommending any dividend to transfer out of the profits of the Bank, a sum equivalent to not less than 20 per cent (twenty percent) of such profits as Reserves Fund until the amount of the said Reserve Fund is equal to the paid-up capital and to set aside out of the remaining profits of the Bank, such sums as they think proper for equalizing dividends, or for special dividends, or for repairing, improving and maintaining any of the property of the Bank, and for such other purposes as the Directors shall in their absolute discretion think conducive to the interest of the Bank, and to invest the said Reserve Fund so set aside according to requirements of the Indian Companies Act, 1913 and to invest funds other than the said Reserve Fund so set aside upon such investments other than shares of the Bank and from time to time to deal with and vary such investments other and dispose off all or any part thereof for the benefit of the Bank.
- (26) May make Byelaws: From time to time make, vary and repeal Byelaws for the regulation of the business of the Bank, its Officers and Servants.
- (27) May make contracts &c: To enter into all such negotiations and contracts, and rescind and vary all such contracts, and execute and do all such acts, deeds, and things in the name and on behalf of the Bank as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Bank.
- (28) General Powers: And generally to do, sanction and authorise all such matters and things as may be necessary to be done, authorized or sanctioned in or about the general business and affairs of the Bank or in or about the execution of all or any of the powers hereinbefore conferred on the Directors.
119. Delegation of powers to Manager: The Directors may at their discretion delegate to any Manager or other Employee such of their powers as they are not expressly prohibited from delegating for such time and subject to such conditions and restrictions as they may think expedient and may at any time revoke or vary any of such delegated powers.
120. Manager to conform to Regulation: Every Manager and other Officer shall conform to any regulations which may be imposed upon him by the Directors and shall whenever required by the Directors render to them an account of all transactions, matters and things relating to the Bank or its affairs over which such Manager may have control or of which he may have cognizance.
121. Collateral powers: In the absence of any regulation to the contrary where similar powers are capable of being exercised by Directors and the Manager either party may exercise the same but if the Directors at any time prohibit the exercise of any such powers by the Manager then the Manager shall unless otherwise resolved by a General Meeting thereupon cease to exercise or refrain from exercising the same.

**Notices (Articles 152 to 162)**

152. How notices to be served on Members: A notice may be served by the Bank upon any Member, either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such Member at his registered place of address.
153. Members resident abroad: Each holder of registered shares, whose registered place of address is not in British India, may from time to time notify in writing to the Bank an address in British India, which shall be deemed his registered place of address within the meaning of the last preceding clause.



154. Notice where no address: As regards those Members who have no registered place of address a notice posted up in the office shall be deemed to be well served on them at the expiration of twenty-four hours after it is so posted up.
155. When notice may be given by advertisement: Any notice required to be given by the Bank to the members or any of them, and not expressly provided for these presents, shall be sufficiently given if given by advertisement.
156. How to be advertised: Any notice to be, or which may be given by advertisement shall be advertised once in two Head office town Newspapers.
157. Notice to joint Holders: All notices shall, with respect to any registered shares to which persons are jointly entitled, be given to whichever of such persons is named first in the register, and notice so given shall be sufficient notice to all the holders of such shares.
158. When notice by post deemed to be served: Any notice sent by post shall be deemed to have been served on the second day following that on which the envelope or wrapper containing the same is posted and in proving such services it shall be sufficient to prove that the envelope or wrapper containing the notice was properly addressed and put into the post office. And a certificate in writing signed by the Manager, Secretary, or any other Officer of the Bank that the envelope or the wrapper containing the notice was so addressed and posted shall be conclusive evidence thereof.
159. Transferees, &c. bound by prior notices: Every person who, by operation of law transfer, or other means whatsoever, shall become entitle to any share, shall be bound by every notice in respect of such shares which previously to his name and address being entered on the register, shall be duly given to the person from whom he derives his title to such share.
160. Notice valid though member deceased: Any notice or document delivered or sent by post to, or left at the registered address of any Member, in pursuance of these presents, shall, notwithstanding such member be then deceased, and whether or not the Bank have notice of his decease be deemed to have been duly served in respect of any registered shares, whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint-holder thereof, and such services shall for all purposes of the these presents be deemed sufficient services of such notice or document on his or hers, executors, or administrators, and all persons, if any, jointly interested with him or her in any such share.
161. How notice to be signed: The signature to any notice to be given by the Bank may be written or printed.
162. How time to be counted: Where a given number of days, notice or notice extending over any other period is required to be given the day of service shall, unless it is otherwise provided, be counted in such number of days or other period.

**Winding Up (Articles 164 to 165)**

164. Distribution of Assets: If the Bank shall be wound-up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so the as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid-up at the commencement of the winding-up, on the share held by them respectively. And if in a winding-up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding-up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding-up, paid-up, or which ought to have been paid-up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.
165. Distribution of assets in specie:
  - (1) If the Bank shall be wound-up, whether voluntarily or otherwise, the liquidators may, with the sanction of Extraordinary Resolution, divide among the contributories, in specie or kind, any part of the assets of the Bank, and may, with the like sanction, vest any part of the assets of the Bank in trustees upon such trusts for the benefit of the contributories, or any of them as the liquidators, with the like sanction, shall think fit.



- (2) If thought expedient any such division may be otherwise than in accordance with the legal rights of the contributories {except where unalterably fixed by the Memorandum of Association}, and in particular any class may be given preferential or special rights or may be excluded altogether or in part, but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who prejudice thereby shall have a right to decent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 213 of the Companies Act, 1913.
- (3) In case any shares to be divided as aforesaid involve liability to calls or otherwise, any person entitled under such division to any of the said shares may within 10 days after the passing out of the Extraordinary Resolution, by notice in writing direct to liquidators to sell his proportion and pay him the net proceeds and the liquidators shall, if practicable act accordingly.

**Indemnity (Articles 166 to 167)**

166. Indemnity: Every Director, Manager, Auditor, Secretary and other Officer or Servant of the Bank shall be indemnified by the Bank against, and it shall be the duty of the Directors out of the fund of the Bank to pay, all costs, losses and expenses which any such Officer or Servant may incur or become liable to by reason of any contract entered into, or act or thing done by him as such officer or servant or in any way in the discharge of his duties and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Bank, and have priority as between the members all over the claims.
167. Individual Responsibility of Directors: No Director, Auditor, or other Officer of the Bank shall be liable for the acts receipts neglects, or defaults of any other Director or Officer or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Bank through the insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Bank, or for the insufficiency or deficiency of any security in or upon any of the moneys of the Bank, shall be invested, or for any loss or damage arising from the Bankruptcy, insolvency, or tortuous act of any person with whom any moneys securities, or effects shall be deposited, or for any loss occasioned by any error or judgment, omission default or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.



**MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years prior to the date of the Letter of Offer) which are or may be deemed to be material have been entered into by the Bank. Copies of these contracts, together with the copies of the documents referred to below, may be inspected at the Registered and Head Office of the Bank between 10.00 A.M. and 12.00 noon on any working day of the Bank from the date of the Letter of Offer until the date of closing of the subscription list.

**MATERIAL CONTRACTS**

1. The Memorandum of Understanding between the Bank, A. K. Capital Services Ltd. and Centrum Capital Ltd. dated August 29, 2005.
2. The Memorandum of Understanding between the Bank and MCS Ltd. dated October 18, 2005.
3. The Underwriting Agreement between the Bank, A. K. Capital Services Ltd. and Centrum Capital Ltd. dated January 6, 2006.
4. The Memorandum of Understanding between the Bank and Makharias dated November 26, 2002.
5. The Shareholders Agreement dated December 6<sup>th</sup>, 2002

**MATERIAL DOCUMENTS**

1. Memorandum and Articles of the Bank.
2. Certificate of Incorporation dated October 17, 1936, and Certificate of Commencement of Business dated March 8, 1937.
3. Banking License from RBI under section 22(1) of the Banking Regulation Act, 1949, vide their letter-dated May 3, 1960 to enable the Bank to carry on banking business in India.
4. Copy of RBI letter no DBOD NO. 267/08.56.001/2002-03 dated December 5, 2003 granting approval for appointment of Shri Satish K. Marathe as Chairman and CEO of the Bank.
5. Copy of the Shareholders Resolution passed at the Annual General Meeting held on August 9, 2004 appointing M/s. M. P. Chitale & Co. as statutory auditors for the financial year 2004-05.
6. Copy of the Board Resolution dated August 26, 2005 approving this Rights Issue.
7. Copy of the resolution passed by the Board of Directors at their meeting held on August 26, 2005 authorising Chairman & CEO and Company Secretary of the Bank to sign the necessary agreements with the intermediaries involved in the said Rights Issue and to carry out the necessary actions in respect to the Rights Issue for and on behalf of the Board.
8. Copy of the Board Resolution dated October 18, 2005, appointing M/s. MCS Ltd. as the Registrars to this Rights Issue.
9. Consents of the Directors, Company Secretary, Lead Manager to the Issue, Co-Lead Manager to the Issue, Legal Advisors, Registrars to the Issue, Underwriters to the Issue and Bankers to the Issue, to include their names in the Letter of Offer to act in their respective capacities.
10. Copy of Board Resolution dated August 26, 2005 appointing Company Secretary as Compliance Officer.
11. Consent from M/s. M. P. Chitale & Co., Chartered Accountants, the Auditors to the Bank, dated December 12, 2005 for inclusion of their report on the Accounts in the form and context in which they appear in the Letter of Offer and also on the Tax Benefits mentioned therein.
12. Copy of the Engagement Letter dated August 26, 2005 received from the Bank appointing A. K. Capital Services Ltd. to act as Lead Manager to the Issue and engagement letter dated August 26, 2005 received from the Bank appointing Centrum Capital Ltd. as Co-Lead Manager to the issue.





13. Consent from D. G. Kurundwadkar, Chartered Accountants, the Auditors of WITECO, dated December 20,2005 for inclusion of their report on the Accounts in the form and context in which they appear in the Letter of Offer.
14. Annual Report of the Bank for the last five Financial Years.
15. Application made to NSE, BSE and PSE for obtaining in-principle listing approval dated October 25,2005, October 25,2005 & October 25,2005 respectively.
16. In-principle listing approval obtained from NSE, BSE and PSE dated December 16,2005, December 12,2005& December 12, 2005 respectively.
17. Due Diligence Certificate dated October 24, 2005 from A. K. Capital Services Ltd.
18. Tripartite Agreement between the Central Depository Services (India) Ltd., the Bank and MCS Ltd. dated October 18, 2005.
19. Tripartite Agreement between the National Securities Depository Ltd., the Bank and MCS Ltd. dated November 25, 2005.
20. Powers of Attorney from the Directors of the Bank, not present in person, authorising Chairman and CEO to sign the Letter of Offer.
21. Copy of the Board Resolution dated January 23, 2006 approving the Letter of Offer to be filed with SEBI.



**DECLARATION**

All the relevant provisions of the Act, and the guidelines issued by the Government or the guidelines issued by SEBI established under the Securities and Exchange Board of India Act 1992, as the case may be, have been complied with and no statement made in the Letter of Offer is contrary to the provisions of the Act or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued (including the SEBI Guidelines), as the case may be.

Yours faithfully

On behalf of the Board of Directors of **The United Western Bank Limited**

**Sd/-**

Shri Satish K. Marathe (Chairman and CEO)

**Sd/-**

Shri Govind A. Lele (Director)\*

**Sd/-**

Shri Mahesh A. Athavale (Director)

**Sd/-**

Shri Ashok B. Telang (Director)

**Sd/-**

Shri Kanhaiyalal H. Navandhar (Director)\*

**Sd/-**

Shri Sharad P. Upasani (Director)

**Sd/-**

Shri Prakash B. Nimbalkar (Director)

**Sd/-**

Shri Umesh M. Kulkarni (Director)

**Sd/-**

Shri Rajaram. G. Tanksale (Director)

**Sd/-**

Shri Jatinder Singh Sahni

**Sd/-**

Shri R. J. Joshi (Company Secretary and Compliance Officer)

Place : Pune

Dated : January 23, 2006.

\* Singed through Constituted attorney Shri Satish Marathe

CAF Enclosed.

