

61st ANNUAL REPORT 2003-2004



THE BANK OF RAJASTHAN LIMITED



Hon'ble Shri Bhairon Singh Shekhawat, Vice President of India, Awarded Honour to Shri P.K.Tayal, Chairman of the Bank for his excellent Social Activities



Inaguration of Chandivali Branch (Mumbai) by M.P. Ms. Hema Malini in the presence of Shri P.K. Tayal, Chairman and Shri Vinod Juneja , Executive Director of the Bank.



THE BANK OF RAJASTHAN LTD.

BOARD OF DIRECTORS

Chairman

Shri Pravin Kumar Tayal

Managing Director & CEO

Dr. K. M. Bhattacharya

Directors

Shri B. R. Gupta

Shri Deepak Saruparia

Shri Sanjay Kumar Tayal

Shri Som Prakash Arya

Shri P. P. Kapoor

Shri A. N. Chakrabarti

Shri Anil Anand Rao

Shri Niraj Tayal

Dr. Akshey K. Gupta

Shri A. K. Pandya (RBI Nominee)

Shri Radhe Shyam (RBI Nominee)

Executive Director

Shri Vinod Juneja

Company Secretary

Shri P. K. Agrawal

Solicitors, Advocates & Legal Advisors

M/s Paras Kuhad & Associates

Jaipur, Mumbai, Delhi, Kolkata

Registered Office :

Clock Tower, Udaipur-313 001

Central Office :

C-3, Sardar Patel Marg,

C-Scheme, Jaipur-302 001

Corporate Office :

11/12, Raghuvanshi Mills Compound,

Senapati Bapat Marg,

Lower Parel (West),

Mumbai- 400 013

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THE BANK OF RAJASTHAN LTD.

Regd. Office : Clock Tower, Udaipur

NOTICE

TO THE SHAREHOLDERS

Notice is hereby given that the Sixty First Annual General Meeting of the members of The Bank of Rajasthan Ltd. will be held at Hotel India International, 63, Sardarpura, Udaipur on Saturday the 26th June, 2004 at 10.00 AM to transact the following business:

(A) ORDINARY BUSINESS:

1. To receive, consider and adopt the Report of the Board of Directors and audited Balance Sheet as of 31st March, 2004 and the Profit and Loss Account for the period ended on that date.
2. To declare dividend.
3. To appoint a Director in place of Shri Deepak Saruparia, who retires by rotation under Article 119 of the Articles of Association of the Bank and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri B.R. Gupta, who retires by rotation under Article 119 of the Articles of Association of the Bank and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Niraj Tayal, who retires by rotation under Article 119 of the Articles of Association of the Bank and, being eligible, offers himself for reappointment.
6. To appoint Auditors and fix their remuneration.

(B) SPECIAL BUSINESS :

7. To consider and, if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :-

RESOLVED THAT Dr. Akshey K. Gupta who holds office upto the date of this Annual General Meeting as per provisions of Article 103 of the Articles of Association of the Bank be and is hereby appointed as a Director of the Bank.

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

RESOLVED THAT pursuant to provisions of section 314(1) of the Companies Act, 1956, consent of the Company, be and is hereby given to the payment of honorarium @ Rs.5,000/- per day to Directors for rendering services as members of selection committee for the purpose of recruitment/promotion of officers/staff of the Bank, in addition to reimbursement of boarding and lodging expenses as may be applicable.

By Order of the Board of Directors

Place : Mumbai
Date : 10th May, 2004.

P.K.AGRAWAL
Company Secretary

EXPLANATORY STATEMENT (Pursuant to Section 173 of the Companies Act, 1956)

ITEM 7

Dr. Akshey K. Gupta was appointed as Additional Director on the Board of the Bank w.e.f. 29.4.2004. He shall hold the office as such upto the date of ensuing annual general meeting pursuant to provisions of section 260 of Companies Act, 1956. Pursuant to provisions of section 257 of Companies Act, 1956, the Bank has received a notice from a member signifying his intention to propose Dr. Gupta as a candidate for the office of Director of the Bank and the requisite deposit of Rs. 500/- has also been received with the said notice. He shall be liable to retire by rotation. The Directors recommend his appointment.

Except Dr. Akshey K Gupta, no other director of the Bank is in any way concerned or interested in said resolution.

Dr. Akshey K. Gupta is a retired Director, Institute of Himalayan Bioresource Technology, CSIR, Palampur (H.P.). Dr. Gupta has been an Emeritus Scientist of CSIR from 1998 to 2003 at CSIO Chandigarh, and has been a member of the Executive Council of the National Academy of Agriculture Sciences, New Delhi from 2000 to 2003. Dr. Gupta conducted research on genetics of crop improvement, developing high yield and stress resistant varieties. He is providing consultancy to pharmaceutical, perfumery & cosmetic industrial units.

ITEM 8

Shri Pravin Kumar Tayal, Chairman, Shri Deepak Saruparia, Shri A.K. Pandya & Shri Radhe Shyam, Directors were nominated on the interview panel of promotion /recruitment of executives of the Bank in different scales. These services being extra services rendered pursuant to provisions of Article 135 of Articles of Association of the Bank and accordingly it was decided by the Board to compensate them by paying honorarium equivalent to sitting fees payable for each day. In terms of Listing Agreement, all compensation paid to non-executive directors shall be fixed by the Board of Directors and shall be approved by shareholders in general meeting. The Board recommends for consideration of above by shareholders.

All the Directors who were appointed on the panel may be regarded as interested in the above resolution.

By Order of the Board of Directors

Place : Mumbai

Dated : 10th May, 2004

P.K. AGRAWAL
Company Secretary

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote, instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 16th June, 2004 to Saturday, the 26th June, 2004 (Both days inclusive).
3. The dividend, as recommended by the Board of Directors, if declared at this Annual General Meeting for the year 2003-04 will be paid on or after 28th June, 2004 to those members whose names appear in the Register of Members of the company/statements of beneficial ownership furnished by the Depositories, as on close of business hours on 15th June, 2004.
4. All documents referred to in the Notice and Explanatory statement are open for inspection at the Registered Office of the Bank during the office hours on all working days, except public holidays, between 11.00 AM and 1.00 PM upto the date of the Annual General Meeting.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
6. To provide best of services to our esteemed shareholders, we propose to use the scheme of Electronic Clearing Service - Credit Clearing (ECS Scheme) of the Reserve Bank of India for payment of dividend. Physical shareholders residing at specified centres, are requested to send their consent on ECS mandate form which is enclosed herewith. If you do not wish to opt for ECS facility, please provide details of your bank name, type of

account and account number for printing the same on dividend warrant. Members holding shares in electronic form may kindly furnish details to their depository participant to take note of your bank account particulars/ ECS mandate.

7. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in prescribed form (which will be made available on request) to the Bank
8. Shareholders/Proxyholders desiring to attend the meeting are requested to kindly bring their copies of Annual Reports for reference at the meeting.
9. Members who hold shares in the DEMATERIALISED FORM, are requested to bring their depository account number for identification and statement of their shareholding from DP as on a latest date.
10. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
11. As required under Clause 49 of the Listing Agreement, the bio-data of Directors who are retiring by rotation and are eligible for reappointment has been furnished in the report on corporate governance in this annual report.
12. Members are requested to promptly notify any change in their addresses to the Bank/Depositories.





THE BANK OF RAJASTHAN LTD.

REPORT OF THE BOARD OF DIRECTORS

Esteemed Shareholders,

Your Directors have great pleasure in presenting to you the 61st Annual Report of the Bank together with the Audited accounts for the year ended 31st March 2004.

PERFORMANCE HIGHLIGHTS

The performance highlights for the financial year 2003-04 as reflected in key financial indicators are as under: -

(Rs. In Crores)

	FY 2003-04	FY 2002-03	Increase (%)
Deposits	7405.89	5299.24	39.75
Advances	2431.63	2221.24	9.47
Investments	4353.01	2642.55	64.73
Total Income	679.87	599.09	13.48
Total Expenditure	610.83	530.67	15.11
Operating Profit	185.30	148.58	24.71
Net Profit after Tax	69.04	68.42	0.91
Profit /(Loss) brought forward	7.55	0.47	
APPROPRIATIONS			
Transfer to Statutory Reserve	17.26	17.11	
Transfer to Investment			
Fluctuation Reserve	26.60	16.80	
Transfer to Capital Reserve			
for investment	0.01	—	
Transfer to General Reserve	5.20	5.20	
Dividend and Tax thereon paid	2.03	—	
Proposed Dividend	21.51	19.71	
Dividend Tax	2.76	2.52	
Balance Carried over to Balance Sheet	1.22	7.55	
Business Ratios(%)			
Return on Assets (ROA)	0.82	1.12	
CRAR	11.18	11.29	
Net NPA	2.99	6.80	

PROFITABILITY

Your Bank has posted an all time high net profit (after provisions & taxes) of Rs.69.04 crores for the year 2003-04 against a net profit of Rs.68.42 crores for the previous year showing an increase of 0.91% inspite of making prudential floating provision of Rs.54.41 crores in respect of gross non-performing advances over and above minimum prescribed by RBI with a view to enhance the financial strength of the Bank. The operating profit for the FY 2003-04 has also registered a growth of 24.71% from Rs.148.58 crores for the Year 2002-03 to Rs.185.30 crores. The

appropriations for the net profit have been effected as shown above.

The total income of the Bank at Rs.679.87 crores is 13.48% higher than Rs.599.09 crores for the previous year. This increase is largely driven by a rise of Rs. 44.27 crores in profit on sale of investments from Rs.83.77 crores in the previous year to Rs.128.04 crores in the year under report and an increase of Rs 9 crores in the net interest income from Rs.180.84 crores for 2002-03 to Rs.189.84 crores. The non- interest income of your Bank other than Treasury income increased to Rs.48.97 crores from Rs.42.65 crores for the previous year and income from Depository services and marketing of insurance products also contributed to this.

DIVIDEND

The Reserve Bank of India recently issued new guidelines for payment of dividend for banks which are applicable from the financial year 2003-04. According to the revised dividend payout norms only banks with CRAR of at least 11% in the last two Financial Years and the current Financial Year, and net NPAs below 3% are eligible to pay dividend without the prior approval of the Reserve Bank of India. The dividend payout ratio has also been capped at 33.33% of net profit.

Keeping in view the overall performance of the Bank, your Directors are pleased to recommend a dividend of 20 % for the year ended on 31.3.2004, which is in conformity with the above mentioned RBI guidelines.

CAPITAL, RESERVES AND CAPITAL ADEQUACY RATIO

The Bank has not issued shares during the year. However the Bank has received Rs.1.60 crores towards call money on 20,00,000 partly paid up shares @ Rs. 8 per share.

Your Bank has strengthened its capital base gradually over the past few years by raising capital through rights issue and plough back of profits. As a result, the Bank now has a strong capital adequacy of 11.18 %. The comfortable level of Capital adequacy will provide sufficient cushion to your Bank to meet the minimum capital requirement as per pillar I in the new Basel Capital accord (Basel-II).

LISTING AGREEMENT WITH STOCK EXCHANGES

Pursuant to requirement of Listing Agreement, the Bank declares that its securities are listed on stock



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exchanges at Mumbai, Calcutta, Indore and Jaipur. The Bank confirms that it has paid annual listing fees due to all the above stock exchanges up to the year 2004-2005.

TREASURY & INVESTMENT MANAGEMENT

Treasury operations continue to occupy the center stage in your Bank's focused approach towards improving profitability. The integration of Treasury has yielded encouraging results.

The Bank's investment portfolio inclusive of SLR and Non-SLR securities increased from Rs.2642.55 crores as on 31.3.2003 to Rs.4353.01 crores as on 31.3.2004, showing a rise of 64.73 %. The level of SLR and non-SLR Investment amounted to Rs.3780.61 crores, and Rs.572.40 crores respectively, as on 31.03.2004. A prudent management of the investment portfolio enabled your Bank to get a yield of 8.18% on its investments despite falling interest rate scenario.

DEPOSITS

The total deposits of your Bank registered a very impressive growth for the second year in succession as its total deposits increased from a level of Rs. 5299.24 crores to Rs 7405.89 crores showing a rise of 39.75%. Simultaneously, the core deposits (excluding inter bank deposits) also showed a significant increase from Rs. 4705.19 crores as on 31.3.2003 to Rs.5853.39 crores on 31.3.2004 thereby registering a growth of 24.40% as against 21.75% on 31.03.2003. Savings Deposit, which constitutes the core of stable retail liabilities, increased by 18% to Rs 1273.35 crores as against 14.28% in the previous year. These together with a growth of 10.57% in current deposits to Rs. 901.94 crores enabled the Bank to bring down the cost of deposits from 6.50 % to 5.46 % during the year under review.

ADVANCES

The growth in advances of your Bank remained moderate at 9.47% during the year under report. Retail, Housing, Trade and other similar low risk areas continued to be the focus areas for credit deployment. Your Bank's advances increased from Rs.2221.24crores in 2002-03 to Rs 2431.63 crores in the year under report. The thrust on retail assets selected through a strict vetting process enabled your Bank to improve its asset quality further. The retail advances of the Bank increased from Rs.347.19 crores to Rs 476.63 crores. Fresh disbursements amounting to Rs 189.05 crores including Rs.169.51 crores to the housing sector and Rs.13.82 crores under consumer loans to individuals / personal segments were made during the year under review to the retail sector.

Advances to Priority sectors

Your Bank's total advances to Priority Sectors reached a level of Rs. 1048.34 crores against the level of Rs. 826.94 crores in FY 2002 - 03 and constituted 40.73% of the net bank credit which is slightly above the benchmark of 40% stipulated by RBI.

The sector wise break up of the amount outstanding at the end of FY 2003-04 is given below :-

(Rs. in crores)

Sector	FY 2003-04	F.Y.2002-03
Agriculture	338.74	270.34
Small Scale Industries	224.74	189.36
Other Priority Sectors	484.86	367.24
Total	1048.34	826.94

Priority Sector & Retail Banking:

The Raj Bank Swarojgar Credit Card (RBSCC) Scheme has been launched by the Bank during the year under review, for providing adequate and timely credit to small artisans, handloom weavers, service sector, fishermen, self employed persons, rickshaw owners and other micro-entrepreneurs. The Bank's "Apna Ghar Scheme" and Raj Bank Kisan Credit Card (RBKCC) Scheme, which are premier products of financing of Priority Sector, proved to be major contributor in enhancing exposure under the sectors.



(Distribution of Tricycle to disabled person in the presence of Vice President Shri Bahairon Singh Sekhawar and Bank's Chairman Shri P. K. Tayal)

Recognizing the power of Self Help Groups (SHGs) for their reach to masses, the Bank organized a mega camp each at Bhilwara and Rajsamand districts and 475 SHGs involving 7600 families, mostly from rural India, were linked to bank finance.



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(Bank's Managing Director Dr. K. M. Bhattacharya at Camp for Financial Assistance provided to 2700 women under self help groups in the presence of Collector, Bhilwara)

In this year of Empowerment for Women the Bank was able to provide bank finance to women for dairy, tailoring, papad and Masala Udyog etc. to provide to them a regular source of income and become self reliant. This helped your Bank to build up its image as a socially responsible corporate citizen at state as well as national Level and received appreciation from NABARD.



(Women's participation in the Self Help Group camp organised by the Bank at Bhilwara)

NON - PERFORMING LOANS

During the year under report your Bank stepped up its recovery efforts and continued with the strategy of organizing recovery camps for on the spot settlement of dues through compromises. Simultaneously the hard core high value NPA s were followed up by mounting pressure on the borrowers /Judgments Debtor through appropriate legal action.

Your Bank was able to effect substantial recoveries in small value NPA accounts with outstanding upto

Rs.50.00 lacs through a regular process of recovery camps. In these accounts the total amount recovered amounted to Rs.31.13 crores, which was about 116% of the target set for the year.

In the high value NPA accounts with outstanding over Rs.50 lacs, your Bank was able to recover a sum of Rs.30.46 crores. Thus the total recovery / up gradation made during the year 2003-04 works out to Rs.61.58 crores as against Rs.37.40 crores in the previous year.

Under the powers vested with the banks in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002, your Bank exercised its right to take possession of the secured assets for the recovery of the dues of the Bank through sale thereof and recovered a total amount of Rs.18.51 crores involving 212 accounts. The Bank has also taken effective action for execution of decrees and conducted auctions successfully. Simultaneous follow up with full strength has also been made for recovery in the written off accounts and also the accounts in which means/ properties of the judgment debtors were not-known to the Bank. After tracing out the properties, the same have been put to auction or the borrowers have been compelled to come forward to settle the account with the Bank.

As a result of the initiatives taken by your Bank in improving asset quality, recoveries and prudential floating provisions of Rs.54.41 crores in respect of gross Non-performing Advances over and above the minimum prescribed by Reserve Bank Of India with a view to enhancing the financial strength of the Bank the Net NPA as at the end of 31.03.04 have been brought down to Rs 72.63 crores from a level of Rs.151.00 crores as of 31.03.03 and the net NPAs have been reduced from 6.80% in 2002-03 to 2.99 % of net advances in 2003-04.

INTERNATIONAL BANKING

During the year 2003-04, the total foreign exchange turnover handled by the Bank amounted to Rs.4862.92 crores, as against Rs.4585.74 crores during the previous year.

The total export credit as on 31.3.2004 was Rs.146.72 crores, as against Rs.116.83 crores as on 31.3.2003.

OPERATIONS OF MEWAR AANCHALIK GRAMIN BANK (MAGB), UDAIPUR

The deposits of MAGB sponsored by your Bank increased to Rs 189.39 crores during 2003-04 but the advances remained more or less static and amounted to Rs.61.17 crores as against Rs. 62.96 crores as on 31.03.2003. The bank is expected to show a profit of



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Rs.40 lacs for the year under report. The computerization programme of the bank is going ahead with full pace with 39 out of its 58 branches covering more than 75% of its business having also been computerized. The bank is also participating actively in providing Mewar Bank Kisan Credit Card & Swarojgar Credit Card in its service area in Udaipur and Rajsamand districts of Southern Rajasthan.



(Drought relief Camp Organised by the Bank at Phalodi, Jodhpur)

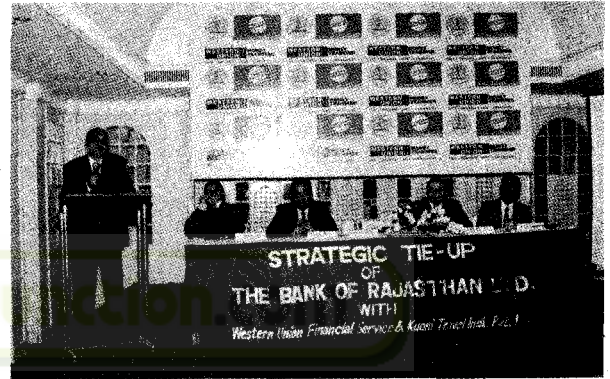
NEW SERVICES AND PRODUCTS

During the period under report your Bank carried forward its strategy to venture into new products and services. Towards this end your Bank tied up with BOB Cards to launch co-branded Visa International Debit Cards. This will ensure worldwide acceptability of your Bank's ATM Cards as the International Debit Card can also be used as an ATM card acceptable at our ATM Network /Shared Network and more than 6500 VISA enabled ATMs in India and 7,80,000 ATMs globally. Further, it can be used at more than 80,000 point of sales including merchant outlets in India and 20 millions merchant outlets globally displaying VISA Electron sign.

The Bank's tie up arrangements with M/s Bajaj Allianz and M/s Birla Sunlife Insurance Company for marketing, their products yielded positive results and contributed significantly to the Bank's revenue. The Bank's staff was imparted training in the marketing of their products. The Bank succeeded in collecting a premium of Rs.147.48 lacs and income of Rs.28.89 lacs from this activity during the current Financial Year as against Rs. 58.16 lacs and Rs. 8.25 lacs respectively in the previous year. 1879 Life Insurance policies with annualized premium of Rs. 302.72 lacs were mobilized during 2003-04 as against 256 policies and annualized premium of Rs. 36.46 lacs during the previous year. The income from Life Insurance business increased

almost 5 folds from Rs. 17 lacs in 2002-03 to Rs. 90 lacs during the year under report. The Bank has been adjudged the "Best Achiever" in the Northern Zone in the life Insurance Business for the year 2003-04 by M/S.Birla Sunlife Insurance Company Ltd.

The arrangement with M/s Sita World Travels Ltd. for providing Western Union Money Transfer Services has been extended to 134 branches. The Bank introduced new technology based products in the form of Mobile Banking and "bank @ 2 p.m." for the benefit of its valued customers. The existing products of your Bank are being reviewed on an ongoing basis to make them customer friendly.



(Dr. K. M. Bhattacharya, Managing Director addressing at the time of Strategic Tie up with Western Union Financial Service & Kuoni Travels India Pvt. Ltd.)

ORGANISATIONAL PLANNING

Your Bank has set up a Corporate Office at Mumbai, the financial capital of the country and some key Departments like Treasury & Investment, Credit Administration, Accounts & Audit and Board Secretariat have been shifted to that office. The establishment of Corporate Office at Mumbai will ensure expeditious decision-making and integration of different strategies being adopted by your Bank for business growth and profitability. Your Bank has also decided to establish Regional Offices at Chandigarh and Bangalore by regrouping its existing branches in Delhi and Mumbai Regional Offices. This will help in fast implementation of the Bank's branch expansion programme as also facilitate better control and supervision of the existing and proposed branches by bringing the Regional Offices closer to the operating units. This will ultimately lead to faster growth of business.

A Public Relations Deptt. has been set up at the Central Office to look after public relations and media