



67TH

ANNUAL REPORT • 1997-98





THE VYSYA BANK LIMITED

Regd. Office : No. 72, St. Mark's Road
Bangalore - 560 001

**NOTICE
&
EXPLANATORY STATEMENT**

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67TH

ANNUAL GENERAL MEETING

ON WEDNESDAY, THE 16TH SEPTEMBER 1998 AT 10.00 A.M.

VENUE

CHOWDAIAH MEMORIAL HALL
Gayathri Devi Park Extension, Vyalikaval,
Bangalore - 560 003

NOTE : NO GIFTS WOULD BE DISTRIBUTED

THE VYSYA BANK LIMITED

Regd. Office: No.72, St. Mark's Road, Bangalore - 560 001

NOTICE

The 67th Annual General Meeting of the Bank will be held at Chowdaiah Memorial Hall, Gayatri Devi Park Extension, Vyalikaval, Bangalore - 560 003, on Wednesday, the 16th September 1998 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 1998, Profit and Loss Account and Cash Flow Statement for the year ended on that date and reports of Directors and Auditors thereon.
2. To declare a dividend
3. To appoint a Director
 - (a) in place of Sri Srinivas Bommidala, who retires by rotation and being eligible, offers himself for re-appointment as a Director
 - (b) in place of Sri Dayanand Soma, who retires by rotation and being eligible, offers himself for re-appointment as a Director
 - (c) in place of Sri T B Dhananjaya Rao, who retires by rotation and being eligible, offers himself for re-appointment as a Director.
4. To appoint the Auditors and fix their remuneration.

Note : M/s N C Rajagopal & Co., Chartered Accountants, Chennai and M/s I S Prasad & Setty Associates, Chartered Accountants, Bangalore are eligible for re-appointment and expressed their willingness for being re-appointed as Joint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution in respect of which Notice as required under Section 257 of the Companies Act, 1956 has been received from certain members :

"RESOLVED THAT Sri Bart Hellemans who has been appointed as an additional Director on 28th November 1997 under Section 260 of the Companies Act, 1956 and who can hold office only upto the date of this Annual General Meeting be and is hereby appointed as Director of the Bank liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution in respect of which Notice as required under Section 257 of the Companies Act, 1956 has been received from certain members :

"RESOLVED THAT Sri G B S Raju who has been appointed as an additional Director on 25th July 1998 under Section 260 of the Companies Act, 1956 and who can hold office only upto the date of this Annual General Meeting be and

is hereby appointed as Director of the Bank liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof from time to time or any ordinance promulgated in this regard for the time being in force and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions/ restrictions which may be agreed to by the Board of Directors of the Bank (hereinafter referred to as "the Board") the consent of the Bank be and is hereby accorded to the Board, to buy back shares/other securities of the Bank as may be specified under the Act, from the holders of such shares/securities on a proportionate basis or otherwise as the Board may decide/deem fit, and/or from the market and/or from the holders of odd/ small lot viz., lots smaller than the market lot of the Bank's shares/other securities and/or by purchase of any shares/other securities which may be issued to the employees of the Bank pursuant to a scheme of employees' stock option, the shares or such other securities or securities having such underlying voting rights as may hereinafter be notified by the Central Government/any other regulatory authority, from time to time (hereinafter referred to as "the securities") out of its free reserves or its securities premium account or out of the proceeds of an issue or such other permissible source, on such terms, conditions and in such manner as the law may prescribe from time to time, provided that the aggregate of the securities so bought back shall not exceed such percentage as may be prescribed by Government of India from time to time of the respective securities but in any case not exceeding twenty five percent of the Capital and Reserves and shall be completed within such time as may be prescribed under the Act."

"FURTHER RESOLVED THAT the Board be and is hereby authorised to do all such acts, deeds and things and take all such steps, as it may, in its absolute discretion, deem fit or proper or expedient to give effect to this resolution."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and subject to the approval of Reserve Bank of India, Foreign Investment Promotion Board, SEBI, Insurance Regulatory Authority or such other relevant authority (wherever necessary), the consent of the Bank be and is hereby accorded to the Board of Directors for forming a public limited company to be incorporated under the provisions of the Companies Act, 1956, either as a wholly owned subsidiary of the Bank or in Joint Venture with any other collaborator, either domestic or foreign, in such ratio in the equity participation as may be decided by the Board of



THE VYSYA BANK LIMITED
INVESTORS SERVICE CELL
 Registered & Corporate Office
 No.72, St. Mark's Road, Bangalore - 560 001

14th August, 1998

Dear Shareholders

REG : INVESTOR FRIENDLY MEASURES

Wish you a very happy Independence Day

Investors Service Cell of the Bank has taken various friendly measures which were highlighted vide our letter dated 31st December, 1997. One of such measures is to issue new share certificates with water marks, holograms and bar-codes in exchange of the existing share certificates. There has been a very good response from the shareholders for these measures.

DEMATERIALISATION OF EQUITY SHARES

Encouraged by the support given by our shareholders in implementing various investor friendly measures and also on the suggestions received from them, the Bank is making its foray into entering the Dematerialised segment of shares. This is done through Dematerialisation of Equity Shares i.e., conversion of physical share certificates into electronic form. Through this system, the problems of bad delivery, risk of loss, theft, mutilation and duplication of share certificates etc., will be overcome and payment of stamp duty on transfer of shares will be eliminated. This system also provides faster settlement, immediate transfer, easier pledging of dematerialised shares and direct electronic credit in public issues, etc.

For the purpose of Dematerialisation of your shares, it is necessary to open an Account with any Depository Participant of a Depository. The Depository Participant offers its services to hold the securities in electronic form and issues a statement of your holdings periodically. The investor can hold shares of any company in dematerialised form in this account provided such companies have dematerialised their shares.

VYS-DP

Securities and Exchange Board of India has registered the Vysya Bank Ltd., as a Depository Participant of National Securities Depository Ltd., a Depository registered under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996. Under the name of VYS-DP, the Depository Participant operations are being commenced at the Secretarial Department, Corporate Office of the Bank.

CONCESSIONS TO THE BANK'S SHAREHOLDERS

You are heartily invited to open your account with VYS-DP, hold your shares of the Vysya Bank in electronic form after surrendering the physical share certificates for dematerialisation. In this Account, you can also hold the shares of the other companies which have dematerialised their shares. As an inaugural offer, a discount of Rs.75/- (50% of actual charges) is being offered in the Account opening charges during the period from **1st October, 1998 to 31st December 1998**.

So long you continue to hold Vysya Bank shares in your Account opened with VYS-DP, no custody charges will be levied. The details of CHARGES APPLICABLE to the Bank's shareholders are enclosed as **ANNEXURE - A**.

OPTIONS OPEN TO THE BANK'S SHAREHOLDERS

☞ If you are holding existing old share certificates of Vysya Bank Ltd., then you can;

either

exchange it for new share certificates with water marks, holograms and bar-codes (since after a period, the old share certificates will not be in circulation)

or

dematerialise the same and hold in electronic form.

☞ If you are holding new share certificates with security measures like water marks, holograms and bar-codes, then you can

either

retain the same

or

dematerialise and hold the shares in electronic form.

PROCEDURE

A step by step procedure for opening an Account for dematerialisation of shares, for trading in electronic form and for rematerialisation of the shares is enclosed for your ready reference as **Annexure - B**

A statement showing cost benefit analysis for depository clients in operating an account with Depository Participant along with savings, that would accrue in holding the shares in electronic form is enclosed as **Annexure - C**.

For any further information, please contact :

VYS-DP

Secretarial Department

The Vysya Bank Ltd.

72, St. Marks's Road, Bangalore - 560 001

Ph : 2272021 Fax : 2272220

E-mail Address: secl@gnblr-vysyaho.globalnet.ems.vsnl.net.

Thanking you

Yours sincerely

M V S Appa Rao

(M V S APPA RAO)

Company Secretary

ANNEXURE - A

CHARGES APPLICABLE

ITEMS	FOR SHAREHOLDERS OF VYSYA BANK	FOR OTHERS
Account Opening Charges	Rs.75/-	Rs.150/-
Custody Charges	In respect of Vysya Bank Shares-Nil In respect of shares of other companies - 0.035% of market value.	0.035% of market value
Market Transaction :		
Buy	0.15% of market value	0.15% of market value
Sell	0.15% of market value	0.15% of market value
Off Market Transaction	0.20% of market value	0.20% of market value
Postage, courier, fax, telephone, etc.,	Actuals	Actuals

ANNEXURE - B

STEP BY STEP PROCEDURE

FIRST STEP

Please open an account with VYS-DP

1. Fill up the Account Opening Form available with the participant.
2. Enter and sign the "Participant - Client Agreement" on a non-judicial stamp paper of prescribed amount.
3. Receive your account number. This is to be quoted in all your correspondence with your participant.

SECOND STEP

Please deposit your share certificate(s) for dematerialisation and crediting in the account opened by you

1. Fill a Dematerialisation Request Form (DRF) which is available with the participant.
2. Submit your share certificates along with the DRF either in person or by Registered Post.
3. Your account will then be credited with your holdings normally in 15 days if the DRF and share certificates are in order.

THIRD STEP

If you want to purchase/sell Dematerialised shares (shares in electronic form), please

1. Instruct your broker to purchase/sell shares in the dematerialised (depository) segment of the stock exchange.
2. Give your Depository Participant an instruction to receive/deliver securities into/from your account from/to your broker's depository (clearing) account.
3. Ensure that your broker too gives a matching instruction to his Depository Participant to transfer the shares purchased/sold on your behalf into/from your account.

REVERSE STEP

If you desire to Rematerialise your shares (reconverting the shares from electronic form to physical form)

1. Please fill a Rematerialisation Request Form (RRF) which is available with the participant.
2. The Depository Participant will forward your request to National Securities Depository Ltd. (NSDL) after verifying that you have the necessary holdings in credit.
3. The company would despatch the certificates to you.

Safety and Security measures for safeguarding your interest while you are holding your securities in a dematerialised form

- Agreement between Client and Depository Participant indemnifying you against misuses of your holdings.
- Transactions only on authorization.
- System of daily backup of data on the site and off site by Depository Participant.
- Comprehensive insurance policy for all depository account holders protecting against losses, misuses etc.,

ANNEXURE - C

COST BENEFIT ANALYSIS FOR DEPOSITORY CLIENTS

COSTS	BENEFITS
<ul style="list-style-type: none"> ■ Custody charges <ul style="list-style-type: none"> – very nominal 	<ul style="list-style-type: none"> ■ Increased trading/ improved stock liquidity.
<ul style="list-style-type: none"> ■ Transaction costs <ul style="list-style-type: none"> – less than the amount involved in transfer of physical shares 	<ul style="list-style-type: none"> ■ Reduced transaction costs.
<ul style="list-style-type: none"> ■ Account Opening charges <ul style="list-style-type: none"> – one time nominal charges 	<ul style="list-style-type: none"> ■ Reduced handling of huge volume of paper.
<ul style="list-style-type: none"> ■ Dematerialisation charges <ul style="list-style-type: none"> – one time nominal charges per each share certificate 	<ul style="list-style-type: none"> ■ Simultaneous settlement and transfer.
<ul style="list-style-type: none"> ■ Rematerialisation charges <ul style="list-style-type: none"> – does not arise so long as it is in electronic form 	<ul style="list-style-type: none"> ■ Faster settlement cycles.
<ul style="list-style-type: none"> ■ Brokerage <ul style="list-style-type: none"> – generally one third of the usual brokerage charges in physical segment 	<ul style="list-style-type: none"> ■ Elimination of bad deliveries.
<ul style="list-style-type: none"> ■ Postal charges <ul style="list-style-type: none"> – drastically reduced compared to physical shares in mailing share certificates under transfer deeds for every transfer. 	<ul style="list-style-type: none"> ■ Integration with global markets.
<ul style="list-style-type: none"> ■ Stamp Duty <ul style="list-style-type: none"> – no stamp duty for transfer of shares in dematerialised form 	<ul style="list-style-type: none"> ■ Savings in postal duty, follow up costs, etc.
	<ul style="list-style-type: none"> ■ Easy and safer stock lending & borrowings
	<ul style="list-style-type: none"> ■ Savings in stamp duty.
	<ul style="list-style-type: none"> ■ Access to pledge facility.
	<ul style="list-style-type: none"> ■ Access to stock lending facility.
	<ul style="list-style-type: none"> ■ Prevention of loss/theft/mutilation/duplication of share certificate/forgery of signatures on Transfer Deeds.
	<ul style="list-style-type: none"> ■ Electronic despatch of securities in IPOs, Rights and other Corporate Action.

COST COMPARISON FOR AN INVESTOR

If you are a shareholder in Vysya Bank holding 300 shares with an approximate market value of Rs.55,000/- and shares of other companies with market value of Rs. 1,50,000/-, your expenses for two years in both physical and electronic segment will work out as under (it is assumed that you will sell and buy the shares of other companies three times a year),

i.e., shares worth Rs. 9,00,000/-	Rs. 4,50,000 (Buy)
	Rs. 4,50,000 (Sell)

Sl. No.	ITEM	PHYSICAL		NSDL (Electronic form)		Savings	
		(Rs)		(Rs)		(Rs)	
		MIN	MAX	MIN	MAX	MIN	MAX
1.	Brokerage	6,750	9,000	4,500	6,750	2,250	4,500
2.	Stamp Duty	2,250	2,250	-	-	2,250	2,250
3.	Postal Charges	900	2,700	-	-	900	2,700
4.	Company Objection (notarisation, etc.)	900	2,700	-	-	900	2,700
5.	Settlement Charges	-	-	450	900	(-)450	(-)900
6.	Custody charges for two years						
	Vysya Bank shares	-	-	NIL	NIL		
	Other shares	-	-	900	1,800	(-)900	(-)1,800
TOTAL						5,000	9450

Directors and with such authorised Share Capital as may be prescribed by the Government of India or any other relevant authority.

RESOLVED THAT such a company shall have

- (i) a name as may be decided by the Board of Directors of the Bank
- (ii) the registered office situated in the State of Karnataka or any other State or Union Territory of India
- (iii) the main objects of taking up Insurance business and such forms of business as are permissible by the Government of India/ Reserve Bank of India for the Bank under the provisions of relevant Ordinance/Acts and to pursue such other objects as are incidental and ancillary to the main objects.

RESOLVED FURTHER THAT, subject to necessary approval from the Reserve Bank of India, the Board of Directors of the Bank be and is hereby authorised to invest any amount in the share capital of the subsidiary company/Joint Venture Company as they may deem fit, which may be in excess of the limits prescribed under Section 19 (2) of the Banking Regulation Act, 1949.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and the matters concerned therewith or incidental thereto."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and subject to the approval of Reserve Bank of India, Foreign Investment Promotion Board, SEBI and Government of India, the consent of the Bank be and is hereby accorded to the Board of Directors for forming a public limited company to be incorporated under the provisions of the Companies Act, 1956 either as a wholly owned subsidiary of the Bank or in Joint Venture with any other collaborator, either domestic or foreign, in such ratio in the equity participation as may be decided by the Board of Directors and with such authorised Share Capital as may be prescribed by the Government of India or any other relevant authority.

RESOLVED THAT such a company shall have

- (i) a name as may be decided by the Board of Directors of the Bank
- (ii) the registered office situated in the State of Karnataka or any other State or Union Territory of India
- (iii) the main objects of taking up Mutual Fund business and such forms of business as are permissible by the Government of India/SEBI/Reserve Bank of India under the provisions of relevant Acts and to pursue

such other objects as are incidental and ancillary to the main objects.

RESOLVED FURTHER THAT, subject to necessary approval from the Reserve Bank of India, the Board of Directors of the Bank be and is hereby authorised to invest any amount in the share capital of the subsidiary company/Joint Venture Company as they may deem fit, which may be in excess of the limits prescribed under Section 19 (2) of the Banking Regulation Act, 1949.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and the matters concerned therewith or incidental thereto."

10. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and subject to approval of Reserve Bank of India, Foreign Investment Promotion Board or any such authority, the consent of the Bank be and is hereby accorded to the Board of Directors for forming a public limited company to be incorporated under the provisions of the Companies Act, 1956 either as a wholly owned subsidiary of the Bank or in Joint Venture with any other collaborator, either domestic or foreign, with such authorised Share Capital as may be prescribed by the Government of India.

RESOLVED THAT such a company shall have

- (i) a name as may be decided by the Board of Directors of the Bank
- (ii) the registered office situated in the State of Karnataka or any other State or Union Territory of India
- (iii) the main objects of taking up Consumer Finance business and such forms of business as are permissible by the Government of India/ Reserve Bank of India under the provisions of relevant Acts and to pursue such other objects as are incidental and ancillary to the main objects.

RESOLVED FURTHER THAT, subject to necessary approval from the Reserve Bank of India, the Board of Directors of the Bank be and is hereby authorised to invest any amount in the share capital of the subsidiary company/Joint Venture Company as they may deem fit, which may be in excess of the limits prescribed under Section 19 (2) of the Banking Regulation Act, 1949.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the

purpose of giving effect to this resolution and the matters concerned therewith or incidental thereto."

11. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT, subject to the approval, if any, required from Reserve Bank of India (RBI) and/or Central Government under the Foreign Exchange Regulation Act, 1973 and subject to the applicable provisions of the Companies Act, 1956 and the Banking Regulation Act, 1949 and subject to guidelines and circulars issued in this regard by Central Government/RBI and any other authority and subject to such conditions as may be prescribed by the said authorities while granting such approvals which the Board of Directors of the Bank (hereinafter referred to as the "Board") be and is hereby authorised to accept, and subject to the modification which may be made from time to time by Reserve Bank of India or Central Government or any other authorities in Portfolio Investment Scheme, the consent of the Bank be and is hereby accorded to the Board to allow Non-Resident Indians (NRIs), Persons of Indian Origin (PIOs) and Overseas Corporate Bodies (OCBs) and Foreign Institutional Investors (FIIs) to acquire shares of the Bank through Stock Exchanges in India under portfolio investment scheme, subject to the following conditions:

- i. The aggregate purchase by NRIs/PIOs/OCBs through the Stock Exchanges both on repatriation and non-repatriation basis be within the ceiling of 10% of the paid-up Equity Share Capital of the Bank, provided, however, investment by a single NRI/PIO/OCB shall not exceed 5% of the paid-up Capital.
- ii. The aggregate investment by FIIs shall not exceed 30% of the paid up equity capital of the Bank provided, however, investment by a single FII shall not exceed 10% of the Paid-up Capital or such other percentage as may be prescribed.
- iii. The aggregate investment by persons covered in clause (i) and (ii) above shall not exceed 40% or such other percentages of the paid up Capital of the Bank as may be prescribed by the regulatory authority from time to time.
- iv. Notwithstanding any such investment, no person holding shares in the Bank shall exercise voting rights, on poll, in excess of ten percent of the voting rights as stipulated under Section 12(2) of the Banking Regulation Act, 1949.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and the matters concerned therewith or incidental thereto."

12. To consider, and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT, subject to the approval of Reserve Bank of India, Government of India, Insurance Regulatory Authority or such other relevant Authority (wherever necessary) and pursuant to Section 17 and other applicable provisions of the Companies Act, 1956 and the provisions of Banking Regulations Act, 1949, the following clauses be included as sub-clauses (q), (r) & (s) of clause 3 in the Memorandum of Association of the Company.

3(q) To carry on the business of Life Insurance including Pension; Health Insurance, Marine and Aerial Insurance, Transit Insurance, Fire Insurance, Cattle and Crop Insurance and all other types of General Insurance of properties of all kinds and the business of underwriting, guaranteeing, reinsuring all risks either on its own or along with other Insurance Companies and to carry on all such business allied to Insurance and to receive the premium and to share such premium with other Insurance Companies.

3(r) To undertake the business of financing housing activities by providing long term or short term loans or financial assistance of any kind for construction, purchase, acquisition, improvement or repair of residential houses, flats, halls and commercial buildings for the purpose of office, residence, guest house, religious, recreational or social activities of any individual, corporate body, company, firm, society or association including the public at large.

3(s) To become a member (including ordinary, life, professional, clearing and trading) of any Association, Company, Charitable Institutions, Chamber of Commerce or similar public institutions to promote trade, options and future business, commercial, art, cultural and social activities and to contribute to their equity, corpus fund, guarantee fund or donate monies for such purposes".

13. To consider, and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

RESOLVED THAT approval of the Company be and is hereby granted pursuant to Section 149(2A) and other applicable provisions of the Companies Act, 1956 for commencing and carrying on the business activities specified in sub-clause (q), sub-clause (r) and sub-clause(s) of the Clause 3 of the Memorandum of Association of the Bank, at such time, as may be deemed fit by the Board of Directors of the Bank."

14. To consider, and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner as described in clause (i) to clause (xxviii) :