

*61st*  
**ANNUAL REPORT**  
*1998-99*



**THE JAMMU & KASHMIR BANK LIMITED**

## Board of Directors

	: M.Y. Khan — Chairman
	: B.R. Singh, IAS
	: Ajit Kumar, IAS
	: Surindra Kumar
	: G.R. Khan
	: Dr. A.A. Ansari
	: D.S. Rana
	: H.S. Anand
	: R.N. Singh
	: Joginder Singh
	: M.I. Shahdad
	: A.M. Mattoo
<b>Company Secretary</b>	: Parvez Ahmad
<b>Auditors</b>	: Gupta Gupta & Associates Chartered Accountants
	: K.K. Goel & Associates Chartered Accountants
	: Dhar Tiku & Co. Chartered Accountants
<b>Registered Office</b>	: Residency Road Srinagar-Kashmir
<b>Central Office</b>	: Zam Zam Complex, Rambagh Srinagar-Kashmir
<b>Registrar &amp; Share Transfer Agent</b>	: Karvy Consultants Ltd. 46, Avenue 4, Street No. 1 Banjara Hills Hyderabad - 500 034 Phone : (040) 3312454 Fax : (040) 3311968

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## NOTICE

Notice is hereby given that the **61st Annual General Meeting** of the shareholders of the Jammu and Kashmir Bank Limited, will be held at Sher-i-Kashmir International Conference Centre (SKICC), Chashma Shahi, Srinagar on **Saturday, the 10th July, 1999 at 2.00 P.M.** to transact the following business:

### A. ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the financial year ended on that date together with the reports of the Board of Directors and the Auditors and comments of the Comptroller & Auditor General of India thereon.
2. To declare dividend on Equity Shares for the year ended 31st March, 1999 subject to the approval of Reserve Bank of India.
3. To appoint a Director in place of Shri M.I. Shahdad, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. Amjad Abbas Ansari, who retires by rotation and, being eligible, offers himself for reappointment.

### B. SPECIAL BUSINESS:-

#### 5. ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE BANK:

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

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 (including any Statutory modification or re-enactment thereof) and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities, the objects clause of the Memorandum of Association of the Bank be and is hereby altered by the incorporation of the following new sub clauses (wi) to (wiv) after sub clause (v) of clause III thereof:

- (wi) To sponsor, promote, establish, incorporate, float and manage Mutual Funds, Investment Trusts Companies, Asset Management Companies, Insurance Companies, Housing Development and Finance Companies, Infrastructure Company or Companies undertaking Venture Capital Funds, or Credit Rating Services, Property Development, Merchant Banking, Stock Holding or Custodial Services and other Financial and Consultancy Services.
- (wii) To provide Custodial and depository services and to do all such things as may be advised, permitted or required for this purpose.
- wiii) To donate, contribute, subscribe, promote, support or aid or

otherwise assist or grant money to charitable, benevolent religious, scientific, national public or other institutions, Funds, Trusts, exhibitions or for any public, general or other objects for discharging what is considered to be social and moral responsibilities of the Company to the public or any section of the public.

- (wiv) Any other form of business which the Government of India or Reserve Bank of India may specify as form of business in which it is lawful for the banking company to engage."

"RESOLVED FURTHER THAT the Directors be and are hereby authorised to take necessary steps to obtain confirmation of Reserve Bank of India in terms of Section 49C of the Banking Regulation Act, 1949 in respect of aforesaid alterations in the Memorandum of Association of the Bank and agree to such modifications, terms and conditions in the proposed new sub-clauses as may be directed by the Reserve Bank of India and to modify the same accordingly.

"RESOLVED FURTHER THAT pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, the approval be and is hereby accorded to the Company for commencing and undertaking all or any of the business and activities covered under newly introduced sub-clauses (wi) to (wiv) of Clause III of the Memorandum of Association of the Bank as and when deemed fit by the Board of Directors."

#### 6. AMENDMENT OF ARTICLES OF ASSOCIATION OF THE BANK:

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities, the Articles of Association of the Bank be and are hereby amended as under:

- I. In Article 4, the following shall be added:

"Shareholder" or "Member" means any person(s) whose name is entered in the Register of Members from time to time as owner or joint owner of any share in the Company and also every person holding equity shares of the Bank and whose name has been entered as beneficial owner on the records of depository of beneficial owner.

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of Depositories Act, 1996.

"Depositories Act" means Depositories Act, 1996 and shall include any statutory modification or re-enactment thereof



for the time being in force.

"Depository" shall mean a depository as defined under clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"SEBI" shall mean the Securities and Exchange Board of India.

"Security" shall mean such security as may be specified by RBI/SEBI from time to time.

- II. After Article 14 the following new Article to be numbered 14A shall be inserted with the marginal note "Buy Back of Shares"

14A Notwithstanding anything contained in these Articles, but subject to the approval of the Reserve Bank of India and provisions of the Act and all other applicable provisions of law as may be in force at any time and from time to time, the Bank may, as and when it thinks fit, buy back such of its own shares or securities as it may think necessary, subject to such limits, and on such terms and conditions and at such times the Board may in its discretion decide and deem fit.

- III. After Article 64 the following new Article to be headed "Dematerialisation of Securities" and numbered 64A shall be inserted as under:

**64A Dematerialisation of Securities:**

**(i) Issue of securities in Demat Form:**

Notwithstanding anything contained in these Articles, the Bank shall be entitled to dematerialise its shares/debentures and other securities pursuant to Depositors Act, 1996 and to offer its shares/debentures and other securities for subscription in a dematerialised form.

**(ii) Option for Investors:**

Every person subscribing to securities offered by the Bank shall have the option to receive share certificates to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Bank shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of securities.

If a person opts to hold his security with a depository, the Bank shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

**(iii) Securities in Depositories to be held in fungible form:**

All securities held in the depository shall be dematerialised and be in the fungible form.

Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Companies Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

**(iv) Rights of Depositories and Beneficial Owners:**

(a) Notwithstanding anything to the contrary contained in the Companies Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of securities on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Bank and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Bank. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

(d) Save as herein otherwise provided, the Bank shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share, as also the person whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Bank, and accordingly, the Bank shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

**(v) Service of Documents:**

Notwithstanding anything in the Companies Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Bank by means of electronic mode or by delivery of floppies or discs.

**(vi) Transfer of Securities:**

Nothing contained in Section 108 of the Companies Act, or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.



**(vii) Allotment of Securities dealt with in a Depository:**

Nothing contained in the Companies Act or these Articles, where securities are dealt with by a depository, the Bank shall intimate the details thereof to the depository immediately on allotment of such securities.

**(viii) Distinctive numbers of Securities held in a Depository:**

Nothing contained in the Companies Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Bank shall apply to securities held with a depository.

**(ix) Register and Index of Beneficial Owners:**

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

IV. Article 69(i) of the Articles of Association be amended by substituting the word "twelve" for the word "ten"

V. Article 70(ii) of the Articles of Association be amended and recast as under:

Sitting Fee payable to a Director other than;

- i. Chairman and Chief Executive Officer
- ii. Director nominated by the State Govt., &
- iii. Additional Director appointed by RBI and who is in the employment of RBI.

for attending a meeting of Board or Committee thereof shall be Rs. 1000/- and Rs. 500/- respectively.

Besides the fee admissible to a Director for attending the meeting, any Director who comes to attend a Board Meeting or a meeting of a Committee of the Board held at a place other than the place of his usual residence, shall, besides the travelling allowance admissible, be entitled to a halage as shown in the Articles 70(A) for the day/s the Director has to stay at such place, in connection with the meeting, and also for any extra day or days or onward or return journey connected with the meeting and involving air and/or rail travel.

Article 70(A) & (B) of the Articles of Association be merged as Article 70A and recast as under:

Travelling allowances, halage, Board/lodge expenditure and other incidental expenses shall be payable to the Directors at the rates as applicable to the pay scale of Chairman, which may be revised from time to time

VI. In Article 86 of Articles of Association the following words shall be deleted:

Subject to the provisions of the Companies Act the Board may from time to time fix the remuneration to be paid to any

member or members of their body constituting a Committee appointed by the Board in terms of these articles excepting the Chairman, such remuneration not to exceed Rupees two hundred and fifty for any member for every meeting of any such Committee which such member attends.

VII. Article 118(d) of the Articles of Association be substituted as under:

The remuneration of the Chairman or any modification thereof shall be decided by the Board of Directors subject to the concurrence of the Reserve Bank of India.

"RESOLVED FURTHER Directors be and are hereby authorised to agree to such modifications, as may be prescribed by the RBI to the proposed alterations in regard to those provisions of the Articles where the permission of RBI is required."

**7. INCREASE IN THE BORROWING LIMIT:**

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

"RESOLVED THAT pursuant to Section 293(1)(d) and other applicable provisions of the Companies Act, 1956 and subject to such approvals as may be necessary from the appropriate authorities, consent of the members be and is hereby accorded to the Board of Directors of the Bank for borrowing from time to time any sum or sum of money/s on such terms and conditions and with or without security as the Board of Directors may think fit which, together with the monies already borrowed by the Bank (apart from deposits accepted by the Bank or money borrowed by the Bank from any other banking company or from Reserve Bank of India in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Bank and its free reserves, that is to say, Reserves not set for any specific purpose, provided that the total amount of money/monies so borrowed by the Board shall not at any time exceed the limit of Rs. 600 crores.

"RESOLVED FURTHER that Board of Directors be and is hereby authorised to do and perform all such acts, deeds and things as may be necessary, desirable or expedient to give effect to this resolution."

**8. REMUNERATION OF THE CHAIRMAN:**

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

"RESOLVED THAT Company hereby accords its approval and consent to the payment of remuneration to Shri M.Y. Khan, Chairman and Chief Executive Officer of the Bank with effect from 20th December, 1998 to 31st March, 1999 on the existing terms and conditions as were earlier approved by the shareholders in the 59th Annual General Meeting of the Bank read with the modifications in respect of medical benefits as already approved by the Board in its meeting dated 2nd of July, 1998 and RBI vide their letter No. DBOD(JMU) 71/10.02.01/98-99 dated October 21, 1998."



"RESOLVED FURTHER consent of the Company be and is hereby accorded for the revised remuneration payable to Shri M.Y. Khan Chairman and Chief Executive Officer of the Bank w.e.f 1st April, 1999 on the following terms and conditions:

**Revised Pay Scale:**

Rs. 24050-650-26000 (As applicable to Chairman of Public Sector Banks)

**Dearness Allowance:**

74% of Basic pay

**City Compensatory Allowance:**

City Compensatory Allowance as applicable to the senior officers of the Bank i.e. 3.5% of Basic Pay maximum Rs. 230.

**Deputation Allowance:**

No deputation allowance shall be paid to him.

**Hill & Fuel Allowance:**

6.5% of Basic pay maximum Rs. 160/-

**House Rent Allowance:**

- The Bank will provide rent free residential accommodation suiting the status of the Chairman. In case of a privately Hired House the rent shall not exceed Rs. 8500/- per month.
- In case he lives in his own House he will be entitled to H.R.A. @ 12½% of Basic pay per month.
- In case he lives in a house provided by the State Govt. he shall be reimbursed by the Bank for the House Rent charged from him by the Govt. including Rent of furniture subject to maximum limit of Rs. 850/- per month.

**Conveyance:**

Free use of Bank's car for official purpose. The car used should be of less than 16 H.P. If the car is used for private purposes also, the Chairman should reimburse to the Bank Rs. 250/- per month for journey not exceeding 750 kms in a month (journey from Residence to office and vice versa to be treated as duty runs). charges for private use of Bank's car in excess of 750 kms limit will be recoverable from the Chairman at 60% of the rate fixed by R.T.O.

**Leave Travel Concession:**

As admissible to the Senior Executives of the Bank.

**Provident Fund:**

10% of the Basic pay

**Medical Benefits:**

The Bank shall reimburse medical expenses incurred by the Chairman on himself or his family subject to ceiling of Rs. 50,000/- in a year or Rs. 1,50,000/- during a period of three years.

**Travelling Allowance:**

As admissible to the officers of the Bank.

**REIMBURSEMENT OF EXPENSES INCURRED ON ENTERTAINING OFFICIAL GUESTS AT RESIDENCE:**

Reimbursement of expenses incurred on entertaining official guests at residence subject to the maximum of Rs. 30000/- per annum.

"Resolved further that as & when there is any change in the pay scale of the Chairman of Public Sector Banks as is adopted for the present Chairman of the Bank, same shall be mutatis-mutandis applicable to the Chairman of the Bank also".

**9. EXEMPTION FROM BRANCH AUDIT:**

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

"Resolved that pursuant to Sec. 228 of the Companies Act, 1956, the Board of Directors be and are hereby authorised to apply to the Central Government under the Companies (Branch Audit) Exemption Rules, 1961 for exemption from the audit of accounts for the year ending 31st March, 2000 for those branch offices as the Board may consider necessary".

**Regd. Office:**

Residency Road, Srinagar-Kashmir  
Dated: 4th June, 1999

By Order of the Board of Directors

Sd/-  
(Parvez Ahmed)  
Secretary

**NOTES**

- The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business under items 5, 6, 7, 8 & 9 set out above are annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy, shall be deposited with the Company at its Registered Office atleast 48 hours before the time fixed for the meeting.

- Shareholders who have not encashed their past dividend warrants are requested to do so without any further delay. Unpaid/unclaimed dividends which are more than seven years old shall be transferred by the bank to the Investor Education and Protection Fund established under Sub-section(1) of Section 205C of the Companies (Amendment) Act, 1999 and thereafter the claim to any money so transferred to the fund may be preferred by the shareholders to whom the money is due to the authority or the committee as may be specified by the Central Government.





- d) Members are requested to intimate their change in addresses, if any, as the dividend warrants will be posted to the shareholders at their addresses registered with the bank.
- e) Dividend, if declared, at the meeting will be paid to the members whose names appear on the register of members as on 10th July, 1999.
- f) The Register of Members and the Transfer Books of the Company will remain closed from Thursday the 1st July, 1999 to Saturday the 10th July, 1999 (both days inclusive) for the purpose of payment of dividend.
- g) Members are requested to bring their copies of the Annual Report to the Meeting.
- h) Members desiring any information on the Accounts are requested to write to the company at least one week before the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting.
- i) To prevent fraudulent encashment of dividend warrant, shareholders are requested by the Bank to provide their Bank Account numbers and names and addresses of the Bank branches to enable the Bank to incorporate the said details in the dividend warrants. The above information including the intimation of change of address, if any, should reach the Bank's Registrar and Share Transfer Agents before 15th July, 1999 to enable the bank to give effect to the intimation.

#### ANNEXURE TO NOTICE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out material facts relating to the business under item Nos 5,6,7,8 & 9 of the accompanying Notice dated 4th June, 1999.

#### ITEM NO. 05:

In view of the encouraging measures taken by the Government to liberalise the economy and availability of financial resources and managerial expertise with the Company, it is in the interest of the Bank and shareholders as also in harmony with greater public interest that the activities of the Company be enlarged to other businesses which may be conveniently and advantageously combined with the existing business of the company, to enable the Company to take these new lines of activities in due course as and when considered proper by the Board of Directors, alterations in the objective clause of the Memorandum of Association are necessary subject to the approval of the Reserve Bank of India.

Under Section 149(2A) of the companies Act, 1956, sanction of the members is necessary before commencement of any new business. The proposed resolution is an enabling one to give authority to the Board to commence such of the

business activities as and when, it may, in its absolute discretion deem fit.

The Board recommends the adoption of the resolutions. None of the Directors of the Company is concerned or interested in the resolution.

A printed copy of the Memorandum & Articles of Association of the Company is available for inspection at the Registered Office/Central Office of the Company between 11 A.M. to 1 P.M. on any working day prior to the date of meeting and will also be available at the meeting.

#### ITEM NO.06:

- (I) With the introduction of new Clause in the Articles of Association of the Bank relating to Depositories, the definition of the various words and expressions are being added in the interpretation Clause of the Articles so as to make clear the meaning of such words and expressions.
- (II) Prior to Companies (Amendment) Act, 1999, provisions of Section 77 of the Companies Act, 1956 prohibited the companies from purchasing its own shares/securities. However, insertion of new Sections 77A and 77B in the Companies (Amendment) Act, 1999, read with SEBI (Buy Back of Securities) Regulation 1998, has finally paved the way for buy back of shares by Company. It is therefore proposed to introduce a new article 14A in the Articles as set out in the resolution at Item No. 6 to enable the bank to purchase any of its shares as and when Board of Directors may in its absolute discretion deem fit.
- (III) With the introduction of Depository Act and the Depository system, some of the provisions of the Act, relating to the issue holding, transfer/transmission of shares and other securities have been amended to bring them in line with the new system. The mode of holding securities in the electronic form is safer and more convenient for holding and trading in the securities of the Bank. The Bank has joined the depository system and is therefore proposed to suitably alter the Banks Articles as set out to reflect the provisions introduced by Depository Act, 1996 and further to deal the rights of the beneficial owners of the securities in such a system.
- (IV) Article 69 of the Articles of Association of the Bank provides for a maximum of ten Directors. At present there are 9 directors on the Board (excluding the additional directors nominated by RBI). In view of the phenomenal growth achieved by the Bank in all the segments of its business and ambitious plans in line, it may be felt necessary in future to broad base the Board so that composition of the Board of Directors is in proportion to the size and nature of the business. It is therefore, proposed to effect the alterations in the relevant Article by raising the maximum number of directors from ten to twelve.
- (V) As per the existing Articles of the Articles of Association of the Bank the sitting fees payable to the Directors other than Chairman and Directors nominated by the State Govt./RBI for attending the meeting of the Board of directors or