

62nd
ANNUAL REPORT
1999-2000



THE JAMMU & KASHMIR BANK LIMITED

Board of Directors

: M.Y. Khan — Chairman
 : J.A. Khan, IAS
 : M.S. Pandit, IAS
 : Radhey Shyam
 : G.R. Khan
 : M.I. Shahdad
 : D.S. Rana
 : H.S. Anand
 : A.M. Matto
 : R.N. Singh
 : Joginder Singh
 : C.K. Gulhati

Company Secretary : Parvez Ahmad

Auditors : Gupta Gupta & Associates
 Chartered Accountants
 : K.K. Goel & Associates
 Chartered Accountants
 : Dhar Tikku & Co.
 Chartered Accountants

Registered Office : Residency Road
 Srinagar-Kashmir

Central Office : Zam Zam Complex,
 Rambagh
 Srinagar-Kashmir

**Registrar & Share
 Transfer Agent** : Karvy Consultants Ltd.
 46, Avenue 4, Street No. 1
 Banjara Hills
 Hyderabad - 500 034
 Phone : (040) 3312454
 Fax : (040) 3311968

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THE JAMMU & KASHMIR BANK LTD.

(Scheduled Bank, Govt. Company & Bankers To Government)

Board Secretariat, Central Office,
Zum Zum Complex, Rambagh, Srinagar-1900 015,

Tele/ Fax. (0194) 432571
Grams. Headkash

F:3652/2000-226

Dated: 08.06.2000

The Ludhiana Stock Exchange Association Ltd, The Delhi Stock Exchange Association Ltd,
Feroze Gandhi Market, West Plaza,
Ludhiana-141 001 Indira Ganhi Stadium,
Indra Prastha Estate,
New Delhi-110 002.

National Stock Exchange Ltd.,
Trade World,
Senapati Bapat Marg,
Lower Parel,
Mumbai-400 013.

✓ The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Audited Financial Results

Dear Sir,

Pursuant to clause 31 of the Listing Agreement we are sending herewith 6 copies of Audited Financial Results of our Bank for the year 1999-2000 alongwith Notice of AGM for your record and reference.

Thanking you.

Yours faithfully


(PARVEZ AHMED)
SECRETARY-



NOTICE

Notice is hereby given that the **62nd Annual General Meeting** of the shareholders of the Jammu and Kashmir Bank Limited, will be held as under:

Day : Saturday
Date : 1st July, 2000
Time : 11.00 Hours
Place : Sher-i-Kashmir International Conference Centre (SKICC), Srinagar.

to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000 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, 2000 subject to the approval of Reserve Bank of India.
3. To appoint a Director in place of Shri H.S. Anand, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. D.S. Rana, who retires by rotation and, being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

5. 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 a 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:

- (a) In Article 50 of Articles of Association the words: 'The format at present prescribed under section 108 of the Companies Act, 1956 is appended' be omitted and accordingly, Share Transfer form appended to Articles of Association be deleted.
- (b) In Article 59 of Articles of Association the words: "Unless they decline to register the transfer under Article 53" be omitted.
- (c) Article 70 (ii) of the Articles of Association be amended and recast as under:
Sitting fee payable to a Director other than:
(a) Chairman and Chief Executive Officer,
(b) Director nominated by the State Government and who is in the employment of Government, and
(c) Additional Director appointed by the Reserve Bank of India who is in the employment of R.B.I.;
for attending a meeting of Board or Committee thereof irrespective of the number of days for which the meeting may continue, shall be Rs. 2000/- and Rs. 1000/- respectively.
- (d) For Article 70A of the Articles of Association the following Article be substituted:
'70A-Directors shall be paid all travelling, hotel and other expenses incurred by them respectively in attending and returning from the meeting of the Board of Directors or any Committee thereof or General Meeting of the Company, or

in connection with the business of the Company.'

- (e) For article 110(a) of the Articles of Association the following article be substituted:

Article 110(a): "On 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 voting right in proportion to his share of the paid-up equity Capital of the Company."

6. 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. 1,000 Crores."

"RESOLVED FURTHER that Board of Directors be and are 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."

7. EXEMPTION FROM BRANCH AUDIT:

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

"RESOLVED THAT pursuant to Section 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, 2001 for those branches/offices as the Board may consider necessary."

Regd. Office:
Residency Road,
Srinagar - 190 001
Dated: 6th June, 2000

By Order of the Board of Directors
Sd/-
(Parvez Ahmed)
Secretary

NOTES

- a) 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 set out above are annexed hereto.
- b) 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.
- c) 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



THE JAMMU & KASHMIR BANK LIMITED

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 1st July, 2000.
- f) The Register of Members and the Transfer Books of the Company will remain closed from Friday the 23rd June, 2000 to Saturday the 1st July, 2000 (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 by 10th July, 2000 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 of the accompanying Notice dated 6th June, 2000.

ITEM NO. 05:

- 05a. The Share Transfer form appended to the Memorandum and Articles of Association of the Bank has been substituted by Companies (Central Government's) General Rules and Forms (Amendment) Rules, 1988 vide GSR479(E), dated 22.4.1988 and appended Share Transfer Form as on date is irrelevant and as such is proposed to be deleted from the Articles of Association of the Bank.
- 05b. Article 53 of the Articles of Association has already been deleted by Special Resolution passed at A.G.M. held on 25.07.1998 and as such superfluous words bearing the reference of said article in Article 59 are proposed to be deleted.
- 05c. RBI has given discretion to the Private Sector Banks to fix the sitting fee payable to the Directors with the approval of their Board of Directors subject to the compliance with the provisions of the Companies Act, 1956. Section 310 of the Companies Act, 1956 read with Companies (Central Government's) General Rules & Forms (Amendment) Rules, 2000 provides that amount of remuneration by way of fee for each meeting of the Board of Directors or a Committee thereof shall not exceed the sum of five thousand rupees. Keeping in view that the concerned Directors do not get any other remuneration than by way of sitting fee, Directors not interested in the proposal consider it fair that remuneration of Directors by way of sitting fee be increased and accordingly recommend modification in the relevant article of the Articles of the Association.

05d. The alterations in the article 70A are proposed to bring the provisions of the said article in line with the Regulations contained in Table A in Schedule I to the Companies Act, 1956.

05e. With the proposed alteration in Article 110(a) of the Articles of Association of the Bank as set out in the resolution, the voting rights of shareholders to be exercised upon poll are proposed to bring in line with the provisions of Section 87 of Companies Act, 1956.

Except in the matter relating to payment of travelling, hotel and other expenses; and sitting fee to be payable to Directors who are not in the whole time employment of the Bank/RBI/ State Government, none of the Directors may be deemed to be concerned or interested in the resolution.

A copy of the Articles of Association of the Bank together with proposed alterations will be available for inspection by the members at the Registered Office/Central Office of the Bank on any working day prior to the date of the meeting between 11.00 AM to 1.00 PM and will be also available at the meeting.

Your Directors recommend resolution set out at Item No. 5 for approval.

ITEM NO. 06:

Under Section 293(1)(d) of the Companies Act 1956, the Board of Directors can not except with the consent of the Company in the General Meeting borrow monies in excess of aggregate of paid up capital and free reserves of the Company. In view of the growing operations, the Bank may resort to borrowing in excess of limits prescribed in the section and accordingly sanction of the shareholders is being requested to enable the Directors to borrow monies as and when deemed fit to the extent as set out in the resolution. None of the Directors of the Company is concerned or interested in the resolution.

Your Directors recommend resolution as set out at Item No. 06 for approval.

ITEM NO. 07:

The Resolution proposed under this item is sought to be passed in order to meet the requirements of the Section 228 of the Companies Act, 1956, and the rules framed thereunder. The proposed resolution will empower the Board to consider and select the branches in respect of which it can apply to the Central Government for exemption from Branch Audit under the Companies (Branch Audit Exemption) Rules 1961. Loans and advances at some of our branches are small. These advances are within the guidelines prescribed by the Company Law Board while granting exemptions. Other branches are located in areas which are inaccessible during audit period with the result that the audit of such branches cannot be taken up and in case exemption for such branches is not obtained, the accounts of the Company cannot be finalised within the statutory period. However, Section 228 of the Companies Act, 1956 also lays down that such branches have got to be compulsorily audited once in three years. Further the Management also ensures that all branches for which exemption is obtained are compulsorily got inspected by the Bank's Inspection Department.

None of the Directors of the Company is concerned or interested in the resolution.

Your Directors recommend resolution as set out at Item No. 07 for approval.

Regd. Office:
Residency Road,
Srinagar - 190 001
Dated: 6th June, 2000

By Order of the Board of Directors
Sd/-
(Parvez Ahmed)
Secretary



DIRECTORS' REPORT

The Directors have pleasure in presenting the 62nd Annual Report of the Bank together with the audited Balance Sheet and Profit and Loss Account, for the year ended 31st March 2000 to their shareholders.

ECONOMIC SCENARIO:

The economic scenario has witnessed vibrant changes at the fag end of Millennium. The South East Asian Currency Crisis, which developed in July 1997 and produced a chain reaction in many countries, both developing and developed, has put the global financial system on trial. The development of the crisis is attributed besides other things to the process of globalization of financial system, which began in mid 1970s and accelerated in the eighties and nineties. Notwithstanding this situation, the National economy grew by 5.9% in 1999-2000 and industry has recovered from the down sliding trend of last two years. Growth of GDP in manufacturing sector increased remarkably to 7% in 1999-2000 from 3.6% and in construction sector increased to 9% in 1999-2000 from 5.7 % in 1998-99. The inflation rate dropped to international level of 2 to 3%. Developments in external sector as well as movements in foreign exchange reserves were satisfactory. Foreign exchange reserves, including gold and SDR, were at their highest (US \$ 38.04 billion), and showed an increase of US \$ 5.55 billion during the course of the year. The Broad Money (M3) witnessed relatively low growth of 13.6% as compared to 19.2% last year.

BANKING DEVELOPMENT

The financial sector reforms currently underway are seen as a component, of the overall scheme of structural reforms. The overall package is aimed at enhancing the productivity and efficiency of the economy as a whole and also increasing international competitiveness. RBI focussed on structural measures to strengthen the financial system and improve the functioning of various segments of financial markets, which include;

- i) increasing operational effectiveness of monetary policy by broadening and deepening money market and bond market, especially the Govt. securities market;
- ii) redefining the regulatory role of the Reserve Bank; so as to reduce RBI's direct role in fixing interest rates, margins and credit allocations, while simultaneously strengthening its role in the development of financial markets and the management of overall liquidity in the system;
- iii) strengthening of prudential and supervisory norms and at the same time providing banks and financial institutions maximum autonomy in operational matters;
- iv) improving the credit delivery system, particularly for agriculture, exports, services, small-scale industries, self-help groups and micro credit institutions and
- v) developing the technological and institutional infrastructure for an efficient financial sector

The RBI has, in keeping with the recommendations of the Narasimham Committee, raised the minimum Capital Adequacy Ratio from the current level of 8% to 9% with effect from March 31, 2000. The rise in the Capital Adequacy Ratios (CAR) is accompanied by tightening of norms of non-performing assets (NPA), making profitability and competence of banks a hallmark at a time when banks are facing tight spreads.

The Banks were also advised to classify a minimum of 75 percent of their securities as current investments for the year ended March 31, 2000. The Bank's investment in the Tier II bonds issued by other banks has been subjected to a ceiling of 10 percent of the Bank's total capital.

The Cash Reserve Ratio (CRR) was reduced by 0.50 percentage points to 10 percent with effect from fortnight beginning May 8, 1999 and further down to 9 percent in two phases in Nov., 1999. This was done for overall growth of liquidity facilitating flow of adequate bank credit for the productive sectors of the economy.

OPERATIONS OF THE BANK :

Despite the fast changing and challenging environment, characterized by deregulations, competition from new banks and NBFC's, coupled with changed consumer behaviour and customer expectations, the performance of the Bank in all areas of its operation during the year under report has been outstanding. Against the projected figure of Rs. 12000 crore, the Bank's business turnover for the year under report touched Rs. 13000 crore.

The performance of the Bank in the key areas viz., deposit growth, credit dispensation, investment management, foreign exchange operations, operating results, capital adequacy etc has been quite impressive. Projections set in Corporate Plan for the period 1999-2000 have not only been achieved but surpassed.

WORKING RESULTS :

Surpassing all previous records the Bank has posted a net profit of Rs. 120.17 crore for the FY 1999-2000, thereby registering a growth of 41% over last year profit of Rs. 85.45 crore. The total income increased by Rs. 253.00 crore from Rs. 737.00 crore as of 1998-99 to Rs. 990.00 crore for 1999-2000 registering an impressive growth of 34.33%. The income per branch and per employee has increased to Rs. 275 lac and Rs. 15.76 lacs respectively for the year from Rs. 189 lac and Rs. 11.78 lacs of the previous year. The growth in non-interest income (other income) has increased by 144.33%, an impressive achievement.

CAPITAL AND RESERVES:

The capital and reserves of the Bank increased by Rs. 99.77 crore from Rs. 428.39 crore as on 31.03.1999 to Rs. 528.16 crore as on 31.03.2000 showing an increase of 23.29%. The Statutory and other Reserves of the Bank recorded a growth of 26.17% to Rs. 480.15 crore as against Rs. 380.55 crore of the previous year.

DEPOSITS :

The deposits of the Bank for the year under report recorded a phenomenal growth. Not only the targets set have been exceeded substantially but also the growth achieved has surpassed all the previous records of the Bank. Deposits of the bank have increased by Rs. 2978 crore from Rs. 6444.03 crore as on 31.03.1999 to Rs. 9422 crore as on 31.03.2000 registering a growth of 46.21% against National average of 13.5 percent. The average deposits per branch increased to Rs. 26.17 crore during 1999-2000 against Rs. 16.57 crore as on 31.03.1999. The per employee deposits stood at Rs. 150 lac as on 31.03.2000 as against Rs. 103 lac as on 31.03.1999. The low cost deposits increased from Rs. 2358.98 crore as on 31.03.1999 to Rs. 3417.09 crore as on 31.03.2000 showing an increase of 44.90%.