

## Board of Directors

: M.Y. Khan — Chairman  
 : J.A. Khan, IAS  
 : M.S. Pandit, IAS  
 : J.B. Bhorla  
 : Dr. A.M. Khusro  
 : G.P. Gupta  
 : Vipin Malik  
 : G.R. Khan  
 : A.M. Matto  
 : G.M. Dug  
 : Dr. G.Q. Allaqaband  
 : D.S. Kandhari

**Company Secretary** : Parvez Ahmed

**Auditors** : K.B. Sharma & Co.  
 Chartered Accountants  
 : Baweja & Kaul  
 Chartered Accountants  
 : Verma Associates  
 Chartered Accountants

**Registered Office** : Corporate Headquarters  
 M.A. Road,  
 Srinagar-190 001

**Corporate Headquarters** : M.A. Road,  
 Srinagar-Kashmir-190 001

**Registrar & Share Transfer Agent** : Karvy Consultants Ltd.  
 46, Avenue 4, Street No. 1,  
 Banjara Hills,  
 Hyderabad - 500 034  
 Phone : (040) 55666690  
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**THE JAMMU & KASHMIR BANK LIMITED**  
**Corporate Headquarters, M.A. Road, Srinagar - 190001**

Regd. Office : Corporate Headquarters, M.A. Road, Srinagar - 190001 (J&K)  
 Tele No. (0194) 2481930-35, Fax : (0194) 2481928 E-mail: parvezahmad@jkbmail.com

65TH ANNUAL REPORT 2002-2003

## NOTICE

Notice is hereby given that the 65<sup>th</sup> Annual General Meeting of the shareholders of The Jammu and Kashmir Bank Limited will be held as under:

**Day : Monday**  
**Date : 2<sup>nd</sup> June 2003**  
**Time : 11.00 Hours**  
**Place : Sher-i-Kashmir International Conference Centre (SKICC), Srinagar, J&K**

to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2003 and the Profit and 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 and Auditor General of India thereon.
2. To declare Dividend on equity shares for the year ended 31<sup>st</sup> March 2003 subject to the approval of Reserve Bank of India.
3. To appoint a Director in place of Mr. G. M. Dug who retires by rotation.
4. To appoint a Director in place of Mr. G.R. Khan who retires by rotation.
5. To fix the remuneration of Auditors in terms of provisions of Section 224 (8) (aa) of the Companies Act, 1956.

### SPECIAL BUSINESS:

#### 6. AMENDMENT OF ARTICLES OF ASSOCIATION

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) Para 8 of Article 4 of the Articles of Association be substituted as under and accordingly word "BONUS" appearing in the heading of Chapter XIX of Articles of Association be deleted: -

"Dividend includes any interim dividend."

- (b) In Articles 70 (i) of the Articles of Association after the words "co-opted as Additional Director by the Board" appearing as the last line of the first para, following words be inserted: -

"or when such person has been elected by the Company in General Meeting on the basis of his

eminence, specialized knowledge and vast professional expertise"

- (c) Articles 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 the Government, and
- c) Additional Director appointed by the Reserve Bank of India who is in 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. 4000/- and Rs. 3000/- respectively.

Besides a 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 halage as shown in the Article 70(A) for the day/s the Director has to stay at such place in connection with a meeting and also for any extra day/s or onward or Return Journey connected with the meeting and involving air and/or rail travel.

- (d) Articles 84 of the Articles of Association be amended and recast as under: -

84. The Directors may meet together for the disposal of Business, adjourn, and otherwise regulate their meeting as they think fit. The quorum for a meeting of the Board of Directors of a Company shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one), or two Directors, whichever is higher, one of whom must be a Govt. Director. Provided that where at any time number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of remaining Directors, that is to say, the number of the Directors who are not interested present at the meeting being not less than two shall be the quorum during such time. Questions arising at any meeting shall be decided by majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. Save as otherwise expressly provided by the Companies Act, 1956 a Resolution in writing signed by all the Directors shall have the same effect as a Resolution passed by the Directors at their meeting.

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

"RESOLVED THAT Dr. A. M. Khusro, who was appointed as an Additional Director by the Board under section 260 of the Companies Act, 1956 read with Article 78 of the Articles of Association of the Bank in the meeting of the Board of



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Directors held on 3<sup>rd</sup> June, 2002 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a Member signifying his intension to propose Dr. A. M. Khusro as a candidate for office of Director of the Bank, be and is hereby appointed as Director of the Bank who shall be liable to retire by rotation."

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

"RESOLVED THAT Mr. G. P. Gupta, who was appointed as an Additional Director by the Board under section 260 of the Companies Act, 1956 read with Article 78 of the Articles of Association of the Bank in the meeting of the Board of Directors held on 3<sup>rd</sup> June, 2002 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a Member signifying his intension to propose Mr. G. P. Gupta as a candidate for office of Director of the Bank, be and is hereby appointed as Director of the Bank who shall be liable to retire by rotation."

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

"RESOLVED THAT Mr. Vipin Malik, who was appointed as an Additional Director by the Board under section 260 of the Companies Act, 1956 read with Article 78 of the Articles of Association of the Bank in the meeting of the Board of Directors held on 3<sup>rd</sup> June, 2002 and who holds office upto the date of this Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a Member signifying his intension to propose Mr. Vipin Malik as a candidate for office of Director of the Bank, be and is hereby appointed as Director of the Bank who shall be liable to retire by rotation."

#### 10. EXEMPTION FROM BRANCH AUDIT

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 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 31<sup>st</sup> March 2004 for those branches/offices as the Board may consider necessary."

#### NOTES

- a) **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.**

**PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE RECEIVED BY THE BANK AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**

- b) 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 Bank to the "**Investor Education and Protection Fund**" established under Sub-Section (1) of Section 205C of the Companies Act, 1956 and thereafter no claim can be preferred by the shareholders against the Company or the Fund.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from 24.05.2003 to 02.06.2003 (both days inclusive).
- d) The payment of Dividend for the financial year ended 31<sup>st</sup> March, 2003, if approved by RBI and declared at the Annual General Meeting, will be paid, in case of physical shareholding to those Members whose names appear on the Register of Members of the Company on 2<sup>nd</sup> June, 2003 and in case of dematerialized share-holding, to those beneficiaries appearing in the records of National Securities Depository Limited and Central Depository Services (India) Limited as at the closing of the working hours on 23<sup>rd</sup> May, 2003 subject to the provisions of Section 206A of the Companies Act, 1956.
- e) Members holding shares in physical form are requested to intimate the change, if any, in their Registered Address to the Share Transfer Agents. If the shares are held in Demat form, intimation regarding the change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining the Demat Account.
- f) Members desiring any information on the Accounts are requested to write to the Secretary of 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.
- g) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

Regd. Office: By order of the Board of Directors

Corporate Headquarters,  
M. A. Road, Srinagar - 190 001  
Dated: 5<sup>th</sup> May, 2003.

(Parvez Ahmed)  
Secretary



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## ANNEXURE TO NOTICE

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

#### ITEM NO. 5

Though not strictly necessary, Explanatory Statement is being given for Item No. 05 of the Notice with the view to set-out the material facts concerning such business.

Prior to Companies Amendment Act, 2000, remuneration payable to Auditors in case of Government Companies was decided by the Central Government on the advice of the Comptroller and Auditor General of India. However, consequent to the introduction of Section 224(8)(aa) of the Act, the remuneration of Auditors appointed under Section 619 of the Companies Act, 1956 by C&AG has to be fixed by the Company in General Meeting or in such manner as the Company in the General Meeting may determine. Members may accordingly fix the remuneration of Auditors and also ratify the payment of remuneration paid to Auditors for the Limited Review of Half Yearly Un-audited Financial Results for the period ended 30<sup>th</sup> September, 2002.

No Director of the Bank is anyway concerned or interested in the Resolution.

#### ITEM NO. 6

- 6(a) Section 2 (14A) of the Companies Act, 1956 was introduced by Companies (Amendment) Act, 2000, which provides that dividend includes any Interim Dividend. In order to bring the existing Article to fall in line with the aforesaid amendment, Directors of your Bank recommend the proposed modification for approval of the Shareholders.

None of the Directors of the Bank are concerned or interested in the Resolution.

- 6(b) Under the Articles of the Association of the Bank no person other than resident of Jammu and Kashmir State shall be qualified to act as a Director of the Company except when such person has been appointed as a Director by the Jammu and Kashmir Govt. or when such person has been co-opted as Additional Director by the Board. In view of the tremendous progress achieved by the Bank in the recent past thereby creating a brand equity in the market and also keeping in view the ambitious business plans in line and sound corporate principles, it will be in the interest of the Bank to appoint eminent personalities having special knowledge and vast professional expertise as Directors of the Bank liable to retire by rotation and the modifications to this effect are accordingly proposed in the relevant Article.

- 6(c) Reserve Bank of India has given discretion to Private Sector Banks to fix the sitting fee payable to Directors with the approval of Board of Directors subject to compliance with provisions of Companies Act, 1956, Section 310 of the Companies Act, 1956 read with Companies (Central Government) General Rules and Forms (Amendment) Rules, 2000, provides that the amount of remuneration by way Fees 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 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 relevant Article of the Articles of Association.

- 6(d) The quorum for the meeting of the Board of Directors of the Bank is regulated by the provisions of Section 287 of the Companies Act, 1956 and Article 84 of the Articles of

Association of the Bank. Section 287 (i) provides that the quorum for a meeting of the Board of Directors of a Company shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one), or two Directors, whichever is higher. Proviso to this subsection provides that where at any time number of interested Directors exceeds or is equal to two-third of the total strength, the number of remaining Directors, that is to say, the number of the Directors who are not interested present at the meeting being not less than two shall be the quorum during such time.

In order to bring the existing Article to fall in line with the requirements of Section 287 of the Companies Act, Directors of your Bank recommend the recasting of the Article 84 of Articles of Association of the Bank.

None of the Directors of the Bank are concerned or interested in the Resolution.

#### ITEM NOS 7, 8 & 9

With a view to broad base the Board, eminent personalities Dr. A. M. Khusro, Mr. G. P. Gupta and Mr. Vipin Malik were re-appointed as Additional Directors of the Bank on 3<sup>rd</sup> June, 2002. Bank has been immensely benefited due to their rich and varied experiences. The Bank has now received notices from the Members under Section 257 of the Companies Act, 1956 signifying their intension to propose Dr. A. M. Khusro, Mr. G. P. Gupta and Mr. Vipin Malik as the candidates for the office of the Director and Resolutions are proposed under Item Nos. 7, 8 and 9 to appoint them as Directors of the Company. Brief profiles of Dr. A. M. Khusro, Mr. G. P. Gupta and Mr. Vipin Malik are forming part of the Corporate Governance Report.

Directors recommend the adoption of Resolution Nos. 7, 8 & 9. None of the Directors except Dr. A. M. Khusro, Mr. G. P. Gupta and Mr. Vipin Malik are interested in the Resolution.

#### ITEM NO. 10

The Resolution proposed under this Item is sought to be passed in order to meet the requirements of Section 228 of the Companies Act, 1956 and the Rules framed thereunder. The proposed Resolution would 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 Company Law Board while granting exemption. 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, the Management 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 are concerned or interested in the Resolution.

Your Directors recommend Resolution as set out at Item No. 10 for approval.

**Regd. Office:**  
Corporate Headquarters,  
M. A. Road,  
Srinagar - 190 001  
Dated: 5<sup>th</sup> May, 2003

By order of the Board of Directors

(Parvez Ahmed)  
Secretary





## DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS

#### MACROECONOMIC OVERVIEW:

The economic environment of the country witnessed mixed trends during the year 2002-03 with lower GDP growth estimated at 4.40%, attributable to the drought conditions, which prevailed in some parts of the country. Consequently food credit declined by 7.1% compared to an increase of 33% during the last year. However, despite several downslides in the international and domestic economy, the growth has been significant. The outlook for recovery of global economy and world trade remained subdued. International financial flows were affected by the unsettled conditions in Latin America, Turkey and highly volatile geopolitical conditions owing to Iraq crisis. Moreover, back home the economy was affected by poor monsoons. The average inflation rate based on Wholesale Price Index (WPI) was estimated at 2.6%. Reserve accretion accelerated further during the year, with foreign exchange reserves reaching a record high of \$74 billion up from \$51.05 billion of previous year. The rapid growth in reserves was partly owing to strong current account balance position. The money supply (M3) rose by 13.2% whereas reserve money declined by 0.7% during the same period.

#### BANKING SCENARIO:

The Banking industry has been reeling under the pressure of increasing intermediation and declining profits for the past few years. The margins have been under strain due to high level of competition and rising NPAs. In view of the financial reforms, Banks are confronted with the tighter Capital Adequacy and Prudential Norms, transparency and disclosure practices, Asset-Liability Management, Risk Management and Monitoring, Information Technology and cyber crimes. With relatively lower inflation, interest rates continued to soften during the year. The Reserve Bank of India reduced the Bank rate by 25 basis points to 6.25%. At its present level, the Bank rate is the lowest since 1973. The cash reserve ratio (CRR) was reduced by 50 basis points to 5.0 percent from June 1, 2002, and further to 4.75 percent from the fortnight beginning November 16, 2002. A noticeable development in the current year is the sub-PLR lending by Commercial Banks. The yield on 7.4 percent 12-year Government paper reached a low of 6.13 percent on December 31, 2002. Capital markets continued to remain subdued. This weakness in the secondary market led to small volumes of new issues in the primary market. The subdued conditions in domestic capital markets, however, overshadowed structural reforms. The equity market has absorbed new market design, with rolling settlement and equity derivatives trading. Liquidity, which was adversely affected in July 2001, has bounced back to strong levels from March 2002 onwards.

#### PERFORMANCE OF THE BANK:

The Bank continued to make strides in its business operations. The Bank achieved a all time high business turnover of Rs. 22686 crore during the year under report against the last year figure of Rs. 19335 crore recording a steady growth of 17.33%. The core segments of Bank's business viz. Deposits, Advances, Foreign Exchange and Treasury Operations recorded an impressive growth. The outstanding performance recorded by the Bank in its operations boosted the price of Bank's share in the stock market to all time high of Rs. 139 despite subdued equity market.

#### CAPITAL AND RESERVES:

The Capital & Reserves of the Bank increased by Rs. 305 crore to Rs. 1242 crore during the year from Rs. 937 crore of the previous year registering an impressive growth of 32.55%. The Statutory and other Reserves increased by 34.46% to Rs. 1195.35 crore from Rs. 889 crore of the previous year.

#### FINANCIAL PERFORMANCE:

##### i) PROFIT:

The Bank posted a net profit of Rs. 337.75 crore for the financial year 2002-03 recording an impressive increase of 30% over the last year's net profit of Rs. 259.80 crore.

##### ii) INCOME:

The total income of the Bank at Rs. 1714.56 crore for the year under report recorded a growth of 6.44% over the previous year figures of Rs. 1610.86 crore. The per branch and per employee income has increased to Rs. 437.39 lakhs and Rs. 24.11 lakhs respectively.

##### iii) DIVIDEND:

In view of the sustained excellent financial results, Directors are pleased to recommend payment of 60% dividend (free of tax) for the year ended 31st March 2003 subject to approval of shareholders and Reserve Bank of India.

#### DEPOSITS:

Despite low interest rate regime, Bank's aggregate deposits recorded an appreciable accretion of 13.66% to Rs. 14674.90 crore at the end of financial year 2002-03 from the previous year figure of Rs. 12911.11 crore which is higher than the national average growth of 12.2%. The average deposits per branch have increased to Rs. 37.43 crore from Rs. 33.70 crore of the previous year and the average deposit per employee stood at Rs. 206 lakhs as against the previous year figure of Rs. 199 lakhs.

#### ASSETS:

##### i) CREDIT PORTFOLIO:

Despite lower demand for credit at national level, the credit portfolio of the Bank recorded a remarkable growth of 24.70% as against average national growth of 17.8% at the end of 31st March 2003. The total advances of the Bank stood at Rs. 8010.95 crore against Rs. 6423.89 crore of the corresponding period of the previous year. The Bank continued its commitment towards priority sector lending. The outstanding to priority sector increased by Rs. 189 crore to Rs. 1506 crore at the end of March 2003 from Rs. 1317 crore of the previous year. Besides, the special programmes for poverty alleviation and eradication of unemployment sponsored by the State and Central Governments continued to receive active support of the Bank during the year under report.



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**ii) INVESTMENT PORTFOLIO**

The investment policy of the Bank continued to focus on increasing returns on investments in safe and liquid securities. During the year 2002-03, the investment portfolio has recorded a growth of 17.13% to Rs. 6737.82 crore from Rs. 5752.55 crore of the previous year. The yield on investment worked at 9.56% YOY basis, which is quite appreciable considering the falling interest rate regime. With an aggressive secondary market trading, the Bank recorded an annual turnover of about Rs. 22102 crore, enabling it to book a profit of Rs. 247.97 crore, thereby improving the overall yield to 13.53%.

The securities portfolio of the Bank is bifurcated into three categories i.e., *Held till maturity*, *Available for sale* and *Held for trading* as per the Reserve Bank of India guidelines. The valuation of the portfolio and income recognition thereof has been carried out in accordance with Fixed Income Money Market Derivatives Association of India (FIMMDA) rates and prudential norms as prescribed by Reserve Bank of India.

**iii) NON-PERFORMING ASSETS:**

Keeping the level of non-performing assets at minimal possible level and maintaining best possible asset quality continued to remain focus of the Bank's credit policy. This coupled with enhanced recovery drive and prevention of fresh slippages the Bank was able to further reduce its NPA level. The net NPAs stood at 1.58%, against 1.88% of the previous year, which is one of the lowest in the industry.

**FOREIGN EXCHANGE:**

The Foreign Exchange business of the Bank continued its splendid growth. During the year under report the Bank achieved Foreign Exchange business turnover of Rs. 3666.37 crore against Rs. 2954.44 crore of the previous year showing a remarkable growth of 24.10%. The contribution of this segment to the Bank's gross income has been to the tune of Rs. 27.54 crore against Rs. 18.93 crore of the previous year. The export turnover of the Bank increased from Rs. 1339.11 crore to Rs. 1782.45 crore registering a growth of 33.10%. The Dealing Room and Treasury Operations recorded a turnover of Rs. 40317.02 crore and generated a net earning of Rs. 5.46 crore against Rs. 3.30 crore of the previous year, thus registering an emphatic increase of 65.45%.

**CAPITAL ADEQUACY RATIO:**

The Capital Adequacy Ratio stood at 16.48% which comfortably much above 9% minimum stipulated by Reserve Bank of India.

**INFORMATION TECHNOLOGY:**

To modernize Bank's operations and deliver value-added services to the customers, the Bank continued its focus on application and augmentation of the information technology and cover more and more branches under the computerization programme. The number of branches brought under computerization programme has increased to 300 at the end of March 2003 covering 85% business against 241 branches of the previous year. During the year AnyWhere Banking and Tele-Banking facilities were extended to many new locations/branches, thereby increasing the number of branches offering AnyWhere Banking and Tele-Banking facilities to 53 and 52 respectively at the end of 31<sup>st</sup> March 2003. The number of ATMs (both off-site and on-site) installed by the Bank

has increased to 78 during the year under report, of these 51 ATMs were networked through IST Switch. The Bank is in the process of setting up its DATA Centre at Delhi for which creation of infrastructure is in progress. With the commencing of the said Data Centre the Bank will be able to introduce Internet Banking.

**NEW PRODUCTS:**

- i) The innovation is the order of the day. In keeping with this fact, the Bank during the year continued its tradition of introducing new value added products like floating rate deposit schemes viz., 'Super Earner Deposit Scheme' and 'Super Reinvestment Deposit Scheme' to add to the options/choices available to the customers were introduced. The 'ChildCare Deposit Scheme' introduced last year has received overwhelming response from the public. Bank is shortly launching a new deposit product under the name and style of 'Mehendi Deposit Scheme' targetted for girl child. The scheme has value-added features and a free accidental insurance cover. Two new Credit products namely 'Mortgage Loan' and 'Loan Against Rentals' were also launched during the year under report.
- ii) The Bank continued to widen the scope of multiple delivery channels such as ATM installations, AnyWhere Banking and Tele-Banking at more & more centres for facilitating the existing as well as new customers. With the expansion of ATM net work and interconnectivity of more and more branches to offer Anywhere Banking services, the Bank has as a policy decided to issue free ATM cards in all the eligible SB and CD accounts. Over 21,000 ATM cards have been issued up to 31-03-2003. The scope of Tele Banking Facility has been extended to further branches and is now available at 52 branches.
- iii) Moreover, in order to diversify the Bank's services to increase non-interest income, the Bank continued to catch the opportunities of Cash Management and other similar business. In this context the Bank succeeded to secure BSNL bill collection business in J&K state. This has not only created another avenue for increasing the earnings / revenue for the Bank, but has satisfied the long felt need of the telephone subscribers in general and our customers in particular. The arrangement has given a great relief to them, since they have now multiple points available for depositing of telephone bills. Bank has also tied up with some reputed educational institutions for collection of fees of their students and a few corporates for collection of remittances from their constituents as a measure of cash management services.
- iv) As aforesaid, the Bank has been continuously looking for new areas of business/services to improve its non-interest income. During the year a new service of registration of Shree Amarnathji Yatra Pilgrims was undertaken countrywide. The Bank which has on one hand facilitated and provided great convenience to Shree Amarnathji Yatra Pilgrims all over the country on the other opened up new areas of revenue generation for the Bank. The Bank opened registration counters at all branches of the Bank outside the state and some selected branches in Jammu & Kashmir State, and also made available accidental insurance cover of Bajaj Allianz General Insurance Co. Ltd to the pilgrims at a nominal premium, a facility of its kind made available for the first time. People in general and yatis in particular all over the country appreciated this effort of the Bank and it won lot of applause for the Bank and added to the popularity of the Bank among the common people even at far and distant localities of the country.



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**DEPOSITORY PARTICIPANT:**

The DP business of our Bank has continued to grow and during the year, Bank has emerged as a market leader in the state of Jammu & Kashmir. Bank is providing quality Depository Services of both Depositories i.e. NSDL and CDSL to more than 10000 customers from its Centers at Srinagar, Jammu and Delhi and is holding securities worth more than Rs. 2787 Crores for its clients. Bank continued to add to the bevy of value added products offered by it, by introducing Stock Broking Services at its D.P. Centers in association with M/S IL&FS InvestSmart Ltd. Bank has also introduced an attractive Loan against Shares Scheme at its branches at most competitive rates and with an approved list of more than 300 scrips, which has received a very encouraging response amongst the Bank's retail base. Bank has a vision to act as a catalyst in the development of Capital Market Operations in the state of Jammu and Kashmir, which has hitherto been lacking such facilities, from reliable players in the segment.

**INSURANCE BUSINESS:**

During the year under report the Bank formally commenced distribution of insurance products of M/S MetLife Insurance India (P) Ltd. and Bajaj Allianz General Insurance Co. Ltd. It is a matter of satisfaction that a good beginning has been made in this area of business. Bank has been able to sell 3639 life policies of MetLife and collected annualized premium amount of Rs. 410.64 lakhs in the first year. In the case of non-life business, the Bank has been able to perform even better and collected aggregate premium amount of Rs. 535.33 lakhs thereby surpassed the target of Rs. 450 lakhs fixed for the year under report. This has yielded non-interest income of Rs. 170.84 lakhs resulting in a net earnings of Rs. 58.05 lakhs to the Bank during the year.

**REACHING TO THE CUSTOMER:**

- i) Marketing and Research Cell of the Bank functioning for last two years has come up with various value added products and services to suit customer expectations and requirements. The market research is conducted on an ongoing basis to identify needs and expectations of the customers and shape products / services accordingly. Even value addition to the extant products/services is made to suit the growing needs/ demands of the customers.

Bank provides value to its customers by delivery of innovative products and services in an effective and efficient manner. In order to reach extant and potential customers in an effective manner creative promotional campaigns are being undertaken to create a strong "Brand Identity" for the Bank. With multiple options available to customer in shopping their products, more focus was laid on retail advertising during the year and extensive promotional campaign through print and electronic media was undertaken which showed significant results in the form of increased demand for the Bank's products and customer base.

As a part of the advertising strategy the Bank has sponsored weekly radio programme named "JK Bank Dairy" which is aired from the three stations of Radio Kashmir viz., Srinagar, Jammu and Leh. It is an innovative programme and is successfully running for last 18 months. The programme is being produced by Bank's own staff. The programme has gained wide popularity among the people as it provides awareness and up-to-date information about Banking in general and products/services offered by the Bank in particular. People from all walks of life with their responses have appreciated the usefulness of the programme, which

is evident from hundreds of responses received every week from the listeners.

- ii. Bank's web site is a powerful resource for customer education and information. The website provides the visitors up-to-date information about all the products/services offered by the Bank and other matters of interest relating to the Bank besides, providing some on-line services. The updating of the site is done on daily basis so as to provide the visitors latest information about the Bank. The site attracts on an average 700 visitors weekly.

**CUSTOMER SERVICE:**

The Bank has carved for itself an image of a customer driven organisation and the people in the organisation realize that innovation creates opportunity, quality creates demand and teamwork makes it happen. In the prevailing scenario when customers are demanding more for less, the Bank has endeavoured to provide them better quality service, wider choice and above all innovative products. The Bank is always on a look out to add value to its customers and has been taking every possible step to improve quality of customer service. During the year under report Bank organized customer meets at important centres, which were attended to besides the Senior Executives by the Chairman of the Bank. The suggestions received from customers in such meetings provided a source of great input for bringing in further improvement in customer services and shaping of new and value added products and services offered by the Bank. 'Customer Advisory Fora have been established at every major branch of the Bank and number of such fora has risen to 128 during the year. In monthly meetings of these fora the branch managers and customers interact to sort out issues relating to customer service or other related problems. The Bank has put in place very efficient complaint redressal mechanism. The customer queries and complaints are handled on priority. 'Customer Suggestion Card', has been kept available at all branches of the Bank and also on its website. Customers accessing the website of the Bank have the option to send their queries through e-mail. Queries thus received are responded quickly. The Bank has started 7 Days a Week operations at selected branches to provide Banking facilities even on Sundays besides, world class Banking services like Tele-Banking, AnyWhere Banking and ATM network, which are available any time, anywhere round the clock.

**BRANCH EXPANSION:**

With a view to increasing its reach to potential markets and extending Banking facilities to un-banked areas coupled with catching on new business opportunities Bank has been opening new branches selectively at centres offering highest business potential. In keeping with this strategy the Bank opened 15 new branches/extension counters during the period under report raising the total number of offices to 454 at the end of March 2003.

**HUMAN RESOURCES DEVELOPMENT:**

As the people are the most important resource to achieve the growth and enhance the Corporate image of an organisation, foremost importance is given to development of human resources in the Bank to enable them to cope up with the rapidly changing Banking needs. As the quality of human resources indicates the ability of Bank to deliver value to its customers, foremost attention is being given to development of skill, attitude and knowledge of the staff. Emphasis has been on integrating HRM strategies with business strategies. HRM strategies of the Bank include managing change, creating commitment, infusing flexibility and improving teamwork.





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In order to achieve excellence in this critical area, 3127 staff members (2050 officers, 994 clerks, 83 subordinates) were imparted training at Bank's Staff Training Colleges Srinagar/Jammu, Bank's Technology Training Centre, Srinagar and other Institutes of repute within and outside the country in various Banking, economic and I.T. related fields besides behavioral aspects during the year under report.

With the phenomenal increase in the business of the Bank, need to strengthen the officers cadre at various levels was felt. Accordingly 395 promotions were made from clerical cadre to officer's cadre (Scale-I) and 14 promotions in the Senior Executive level. The promotions were made on the basis of merit and performance. While the policy of the merit and performance based promotions in the officers cadre was introduced in the earlier years, it is for the first time in the Bank's history that the said policy of merit based promotions was introduced and implemented in promotions from workmen to officer's cadre. To fill-up the gap so created in the workmen cadre strength and also meet the requirements on account of business growth achieved by the Bank, 544 fresh appointments were made in workmen cadre and 100 in officer's cadre (Scale-I), besides 19 appointments of Computer Engineers / professionals. With these appointments the total number of employees of the Bank has increased from 6495 to 7112 as at the end of the financial year.

**PARTICULARS OF EMPLOYEES:**

There were no employees who were in receipt of remuneration within the limits prescribed under Section 217 (2A) of Companies (Particulars of employees) Rules, 1975, as amended.

**PREMISES:**

Office ambience plays an important role in enhancing the brand image: keeping customers loyal to the organisation and also for providing better working environment to the employees. Keeping this in view the Bank continued to improve branch ambience; and facilities in the branch/office premises whether on lease or owned by the Bank. During the year under report the Bank acquired owned premises for several extant/new branches which include premises for Delhi (Chowri Bazar), proposed Chennai (T. Nagar), Jammu (Fruit Complex) and also undertook renovation of premises of various branches including Poloview Srinagar branch. The construction work of the Zonal Office, Kashmir and International Banking Division is nearing completion.

**LEAD BANK RESPONSIBILITY:**

The Bank continued to discharge its Lead Bank Responsibility in 8 out of 14 districts of J&K State satisfactorily. Two State Level Bankers' Committee meetings (SLBC) and two Sub-committee meetings of State Level Bankers' Committee were convened during the year 2002-03. The block and district level meetings such as BLBC, DCC and DLRC were held as per schedule in all the lead districts. The district credit plans were prepared in time and their implementation monitored closely at the State and district Levels.

**REGIONAL RURAL BANKS:**

The performance of two Regional Rural Banks sponsored by the Bank has been quite satisfactory. The deposits of Jammu Rural Bank have increased by Rs. 64.56 crore from Rs. 409.21 crore as on 31-3-2002 to Rs. 473.77 crore as on 31-3-2003. Advances have increased from Rs. 70.11 crore as on 31-3-2002 to Rs. 102.47 crore as on 31-3-2003. The Bank has registered an operating

profit of Rs. 11.08 crore during the period under review.

The deposits of Kamraz Rural Bank have increased by Rs. 45.61 crore during the year from Rs. 187.20 crore of last year to Rs. 232.85 crore as on 31-03-2003. The Gross Advances have increased from Rs. 32.11 crore as on 31-3-2002 to Rs. 33.72 crore as on 31-3-2003.

**TRUST:**

The Bank's in-house journal "TRUST" is gaining more and more popularity among staff members with every passing day. In the wake of introduction of merit based promotions, the magazine has become a handy reference tool for keeping track of latest happenings in the Banking sector in general and our Bank in particular. The layout and designing of the magazine, which is being done by our own staff has given the magazine a better look. In an environment of fast changing Banking scenario, the Journal has bridged the gap of information needs of employees of the Bank at all levels and provides the information regarding latest developments taking place in the Banking industry. Besides updating the knowledge of the staff about the latest trends prevailing in the industry, it has successfully inculcated the writing/reading habits among the staff members.

**COMMUNITY SERVICE:**

The Bank as a responsible corporate citizen continued its concern for poor and needy. Be it fire victims, earthquake victims, disabled or patients with serious ailments who have no means to fall back upon for their survival, the Bank continued its support and help to them.

The Bank continued to adopt orphans by providing financial support to orphanage homes, and donating computer systems to enable the socially / economically deprived children to acquire IT knowledge. During the year a three days rehabilitation camp for physically disabled persons was organized by the Bank in association with Bhagwan Mahaveer Viklang Sahayata Samiti, Jaipur where 210 persons were provided with artificial limbs and appropriate treatment to many more. During the year 2002-03, an amount of over Rs. 14 lakhs was donated for humanitarian and philanthropic activities.

**RATING OF BANK'S DEBT INSTRUMENT:**

The Credit Rating Information Services of India Ltd (CRISIL) one of the leading credit rating agencies of the country re-affirmed "P1+" rating to the Bank's Certificate of Deposit Programme, indicating the highest degree of safety for timely payment of principal and interest.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

- (i) The extant system of the Bank takes care of most of the aspects of the "Risk Management". We have well-defined Credit & Investment policies wherein different parameters like Portfolio Management, Processes, Procedures, Prudential limits, exposures to industries and other sectors are clearly articulated. The operational risks are being regularly monitored.
- (ii) However, in order to make the decision-making process more realistic and scientific the Bank appointed National Institute of Bank Management (NIBM), Pune as consultants for providing Asset Liability Management and Risk Management solutions.
- (iii) For speedy and accurate flow of information, the software solution for ALM developed by NIBM has already been





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implemented at many branches and installation at other branches is in progress. The package has facilitated the flow of information and helped in effective Asset-Liability Management. The NIBM has also developed Decision Support System (DSS) for investment portfolio and have given their suggestions with regard to Credit Risk Management.

- iv) Housekeeping has vital bearing on the efficiency of internal controls in the Bank. Balancing of books of accounts and timely submission of control returns and MIS reports with the increasing automation of branches has been considerably improved.
- v) The Bank has achieved remarkable progress in reconciliation of inter branch and inter Bank transactions. The reconciliation has been brought upto date and has presently achieved 100% reconciliation level both in respect of inter branch as well as inter Bank transactions.

## AWARDS FOR EXCELLENCE:

The Council for Fair Business Practices (CFBP) awarded Jamnalal Bajaj Uchit Vyavahar Puraskar-2002 to the Bank in the category of Trade/Service-Large Organisation, for following fair business practices and in recognition of its commitment to social obligations. The Bank was also ranked No. 1 Bank in the Survey-2002 of Financial Express and two prestigious awards namely **Best Universal Bank Award** and **Best Private Sector Bank Award** were presented by Dr. Bimal Jalan, Governor, Reserve Bank of India to the Chairman of the Bank at an impressive function held at Mumbai recently.

## CORPORATE GOVERNANCE:

Being a value driven Organization, our Bank is always working towards building trust with Shareholders, Employees, Customers, Borrowers, Regulators and other diverse Stakeholders, for which it has adopted a strategy directed to developing a sound foundation of relationship and trust aimed at achieving excellence, which of course, comes from the womb of good Corporate Governance. Good Governance is a source of competitive advantage and a critical input for achieving excellence in all pursuits. Our Bank considers good Corporate Governance as the *sine qua non* of a good banking system and has adopted a policy based on all the four pillars of good governance – transparency, disclosures, accountability and value, enabling it to practice trusteeship, transparency, fairness and control, leading to stakeholders delight, enhanced shareholder value and ethical corporate citizenship. It also ensures that Bank is managed by an independent and highly qualified Board following best globally accepted practices, transparent disclosures and empowerment of shareholders, besides also ensuring that Shareholders aspirations and societal expectations are met, following the principles of management's executive freedom to drive the Bank forward without undue restraints but within the framework of effective accountability. The excellence achieved by the Bank in its operations stemming from the roots of voluntary good Governance has not gone unrecognized and our Bank has recently bagged three prestigious awards in recognition of its excellent performance and for following fair business practices and commitment to social obligations. Bank's Corporate Governance practices have not only complied with all the Statutory and Regulatory requirements, but several matters have been voluntarily included in the statement on Corporate Governance annexed to this Report, duly certified by the Statutory Auditors.

## BOARD OF DIRECTORS:

Mr. M. I. Shahdad and Mr. H. S. Anand after completion of their term retired by rotation at the last Annual General Meeting held on 3<sup>rd</sup> June, 2002. Dr. G.Q. Allaqaband and Mr. D.S. Kandhari have been appointed as Directors in their places. Mr. R. N. Singh (IAS Retd.), RBI Nominated Director ceased to be a Director on 10<sup>th</sup> June, 2002, by reason of his death and Directors pay homage to his departed soul. Mr. D. S. Rana, resigned as Director of the Bank w.e.f. 4<sup>th</sup> March, 2003. Directors placed on record their deep sense of appreciation for the valuable services rendered by Mr. M. I. Shahdad, Mr. H.S. Anand, Mr. R. N. Singh (IAS Retd.) and Mr. D. S. Rana during their tenure as Directors of the Bank. With a view to broad-base the Board, eminent personalities Dr. A. M. Khuro, Mr. Vipin Malik and Mr. G. P. Gupta were re-appointed as Additional Directors on the Board of the Bank and Bank has been immensely benefited due to their rich and varied experiences. Your Bank has received Notices from Members pursuant to Section 257 of Companies Act, 1956 signifying their intention to propose candidatures of Dr. A. M. Khuro, Mr. Vipin Malik and Mr. G.P. Gupta, for the office of Director. The Resume' and details relating to the Directors are furnished in the Report on Corporate Governance forming part of the Directors Report. Mr. G. R. Khan and Mr. G. M. Dug, Directors retire by rotation at the ensuing Annual General Meeting in accordance with Article 76 of the Articles of Association of the Bank and the provisions of the Companies Act, 1956.

## DIRECTORS RESPONSIBILITY STATEMENT:

*The Board of Directors hereby confirm: -*

*that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;*  
*that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;*  
*that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;*  
*that the Directors had prepared the annual accounts on a going concern basis.*

## ACKNOWLEDGEMENTS:

The Directors express their sincere thanks to the Reserve Bank of India for its valuable guidance and support. The Directors acknowledge with appreciation the assistance and co-operation extended by IDBI, NABARD, SIDBI, SEBI, IBA, Stock Exchanges, Department of Company Affairs, Registrar of Companies, Comptroller and Auditor General, Central Government and Government of Jammu & Kashmir. The Directors also thank the customers and shareholders of the Bank for their valuable support. The Directors place on record their deep appreciation for the work done by the members of the staff at different levels, which enabled the Bank to record enviable growth and consolidate its position as one of the leading Banks in the country.

FOR AND ON BEHALF OF THE BOARD

(M.Y. KHAN)  
Chairman



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## AUDITORS' REPORT

## TO THE SHAREHOLDERS OF THE JAMMU AND KASHMIR BANK LIMITED.

1. We have audited the annexed Balance Sheet of the Jammu and Kashmir Bank Limited as at 31<sup>st</sup> of March 2003 and also the annexed Profit and Loss Account of the Bank for the year ended on that date in which are incorporated the returns of 39 Branches/ Offices audited by us, 393 Branches/Offices audited by other auditors 4 Branches in respect of which exemption has been granted by the Central Govt., under rules 4(1)(a) of the Companies (Branch Audit Exemption) Rules 1961 in terms of provisions of Sub Section (1) and (3) of Section 226 of the Companies Act, 1956. These unaudited branches account for 0.008 % of advances, 0.57 % of deposits, 0.0036% of interest income and 0.064% of interest expenses. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Sub Section (3C) of Section 211 of the Companies Act, 1956 subject to our comments in Para -5 hereunder.
4. The report on account of the Branches audited by Branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
5. On the basis of audit indicated in the paragraph (1&2) above and subject to the following:
  - A. *In conformity of the RBI guidelines there has been a change in accounting policy in respect of valuation of investments classified as "Held For Trading" category. Due to this change in the accounting policy the appreciation to the tune of Rs. 2076.78 lacs has been ignored and hence the profit and the total investments of the Bank are understated to that extent.*
  - B. *Effect of the following on the accounts remained unascertained:*
    - a. *Non-reconciliation of Suspense, Sundry Deposit, Clearing adjustments, Inter-Branch and Inter-Bank Accounts and cash agency account (Refer Note No.1 of Schedule 18)*
    - b. *Revaluation of Foreign Exchange Transactions as per FEDAI Rules, which is inconsistent with AS-11 issued by the Institute of Chartered Accountants of India (Refer Accounting Policy, para 2-Schedule-17)*
    - c. *Non-execution/Non-Registration of Title Deeds in respect of certain premises (Refer Note No.3 of Schedule 18)*
  - d. *Leave Encashment benefits accounted for on cash basis, which is not in accordance with the Accounting Standard 15 issued by the Institute of Chartered Accountants of India (Refer Accounting Policy, para 6-Schedule-17)*
  - e. *Regarding charging of depreciation at Income Tax Rates instead of rates prescribed in Schedule XIV read with Section 205 of the Companies Act, 1956. (Refer Accounting Policy, para 5-Schedule-17)*
  - f. *Acceptance of Classification/Provisioning of Advances of un-audited branches as per Bank's decision.*
6. Certain income/expenditure have been accounted for on cash basis which is not in accordance with Accounting Standard 9 issued by the Institute of Chartered Accountants of India and is in variance to Accounting standards notified U/S 145(2) of the Income Tax Act, 1961, (Refer Accounting Policy, para 7-Schedule 17.)

## WE FURTHER REPORT THAT:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of Audit and have found them to be satisfactory.
- b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and subject to our observation in Paras 1 to 5 above and acceptance of classification/Provisioning of Advances of un-audited branches as per Bank's decision, proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- d) The Bank's Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account and their returns.
- e) On the basis of written representations received from the Directors, as on 31<sup>st</sup> of March 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> of March 2003 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
- f) The said accounts read together with significant Accounting policies and notes forming integral part of Accounts give the information required by the Companies Act, 1956 in the manner so required for Banking Companies, and on such basis: -
- i) The Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March, 2003 and
- ii) The Profit and Loss Account gives a true and fair view of the profit of the Bank for the year ended on that date.

For K.B. Sharma & Co.  
Chartered Accountants

Sd/-  
(Munish Jain)  
Partner  
MNO 094750

Place: Srinagar  
Dated: 5th May, 2003

For Baweja & Kaul  
Chartered Accountants

Sd/-  
(Manoj K. Kakkar)  
Partner  
MNO 093707

For Verma Associates  
Chartered Accountants

Sd/-  
(Madan Verma)  
Partner  
MNO 81631