

Global maladies Local remedies

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Serving To Empower

Annual Report 2008-09

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The Jammu & Kashmir Bank is the only Bank in the country with majority ownership vested with a state government – the Government of Jammu & Kashmir. It is the sole banker and lender of last resort to the Government of Jammu & Kashmir.

The J&K Bank functions as a universal bank in Jammu & Kashmir and as a specialised bank in the rest of the country. It is also the only private sector bank designated as RBI's agent for banking business, and carries out the banking business of the Central Government, besides collecting central taxes for CBDT.

The J&K Bank follows a two-legged business model whereby it seeks to increase lending in its home state which results in higher margins despite modest volumes, and at the same time, seeks to capture niche lending opportunities on a pan-India basis to build volumes and improve margins.

The J&K Bank operates on the principle of 'socially empowering banking' and seeks to deliver innovative financial solutions for household, small and medium enterprises.

The Bank, incorporated in 1938, and is listed on the NSE and the BSE. It has a track record of uninterrupted profits and dividends for four decades. The J&K Bank is rated P1+, indicating the highest degree of safety by Standard & Poor and CRISIL.

VISION

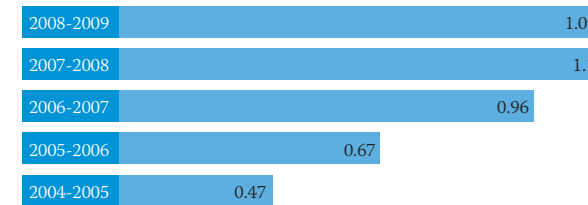
“To catalyse economic transformation and capitalise on growth.”

Our vision is to engender and catalyse economic transformation of Jammu and Kashmir and capitalise from the growth induced financial prosperity thus engineered. The Bank aspires to make Jammu and Kashmir the most prosperous state in the country, by helping create a new financial architecture for the J&K economy, at the center of which will be the J&K Bank.

MISSION

Our mission is two-fold: To provide the people of J&K international quality financial service and solutions and to be a super-specialist bank in the rest of the country. The two together will make us the most profitable Bank in the country.

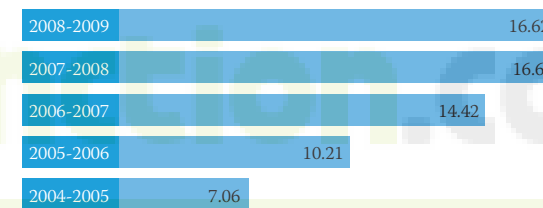
THE TRANSFORMATION YEARS



Return on Assets (per cent)



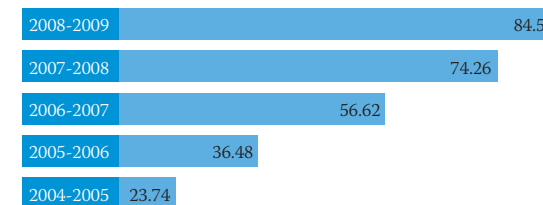
Net Interest Income Margins (per cent)



Return on Equity (per cent)



Cost to Income (per cent)



Earnings Per Share (Rs.)



Advances Yield (per cent)

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HIGHLIGHTS 2008-09



Business Turnover (Rs. in crores)



Total Deposits (Rs. in crores)



Net Profit (Rs. in crores)



Book Value per share (Rs.)



GLOBAL SLOWDOWN, LOCAL SOLUTIONS

The origins and causes of the downturn may be global. But it is clear that the slowdown has hit different places in different ways. The J&K Bank believes that our response to the downturn must be tailored to local circumstance. During an economic downturn, localism becomes more, not less important.

Money worries are headline news during an economic slowdown, But for a majority of the people financial hardship is a real fact of life. Gloom on the money markets transforms into harsher borrowing conditions for small businesses and tougher times for ordinary people.

The J&K Bank, being an ethical and socially conscious bank has been at the forefront to help families and businesses in harder times. The case studies that follow bring together examples of just this; how the J&K Bank, committed to its people, is trying to make a real difference to people lives.

We have set out a range of ways in which we have been able to help people through tough times. To pick but a few, the Bank offered artisans the Livelihood Finance Scheme, or, the Crafts Survival scheme. These are concrete ways in which we are ensuring that some of society's most vulnerable sections are able to keep their head above water.

Across the state, thousands of vulnerable individuals and families are missing out on cash payments that would make their lives easier. Through such schemes, we are providing them support to tide over bad times.

As well as improving people's lives, these benefits contribute to the local economy. Where income to vulnerable households is maximized, economic hardship is reduced. This increases the amount of money spent in the area, which supports local jobs and businesses.



“ We had no formal channels of finance. We used to work for meagre wages for some master craftsman or a carpet dealer who would provide us raw materials for carpet production. ”

– Ali Mohammad Akhoun, craftsman

FROM WALL STREET TO SULTAN MOHALLA

The economic meltdown, although a global phenomenon, impacted different geographies in varying ways and degree. At J&K Bank, we believe that corrective action for this downturn has to be local and customised to the ground situation. In recessionary times, local solutions are more important.

Sultan Mohalla is a long way from the world's financial hub in New York, where it all began.

Here, nobody knew about the behemoth broking houses and their flawed geniuses, who led the world into the most intense recession since the Great Depression.

SPECIAL PACKAGES FOR THE HANDICRAFTS INDUSTRY

Category A

For exporters, traders, retailers and manufacturers.

Product

J&K Bank Handicrafts Sustenance Finance

- Available under Tripartite agreement
- Outside Tripartite agreement

Beneficiaries

Exporters, traders, manufacturers with mutual securing of backward and forward linkages through a tripartite agreement between the bank, the borrower and the craftsmen. However finance on similar terms was also provided to stakeholders who wanted to opt out of the trilateral agreement.

Nature of finance

Working Capital Term Loan

Scale of finance

Rs. 2 lac to Rs. 50 lac depending on the credit requirements of each category of beneficiaries.

Repayment

In 8 EMIs after a moratorium of 18 months

Category B

For artisans

Name of the Product

- J&K Bank Craftsmen Livelihood Finance (For Artisans covered under Trilateral Agreement)
- J&K Bank Dastakar Finance (For Artisans outside the Trilateral Agreement)

Beneficiaries

All artisans, craftsmen and other people associated with

- Carpet Weaving
- Shawl Embroidery
- Kani Shawl Weaving.
- Chain Stitch
- Crewel Embroidery
- Wood Carving
- Papier-Mâché

Type of Finance

Working Capital

Scale of Finance

The scale of finance and repayment was worked on the basis of working cycle for each activity and the unit capacity utilization.

“You know, there’s a lot of talk in this country about the federal deficit. But I think we should talk more about our empathy deficit – the ability to put ourselves in someone else’s shoes; to see the world through the eyes of those who are different from us – the child who’s hungry, the steelworker who’s been laid-off, the family who lost the entire life they built together when the storm came to town. When you think like this – when you choose to broaden your ambit of concern and empathize with the plight of others, whether they are close friends or distant strangers – it becomes harder not to act; harder not to help.”

- Barack Hussein Obama

Thanks to the cascading impact on the world economy, ‘depression’ spread like wild fire leaving the denizens of Sultan Mohalla and innumerable such communities with an uncertain future caused by the global meltdown in demand.

Sultan Mohalla is a picturesque hamlet set amongst the craggy land masses and the algae ridden waters of the Dal Lake. Within these beautiful environs, a few hundred artisan families live out their desperate, fear ridden lives, deprived of their livelihoods and their future. The carpet weaving looms that brought incomes and livelihoods to these people are quiet. This ominous silence spreads gloom.

The looms are silent because of the drying up of bulk orders from merchants and the buyers from the western countries.

Their lives, which were already a hand to mouth existence, became even worse.

Even hope, that eternal optimistic flame was flickering in the strong tempest that came from the west.

“Those were really desperate times for the whole artisan community. We had no idea of what to do,” says Ali Mohammad Akhoun, a craftsman who presides over an informal body of fellow artisans and also pursues their loan cases at the Bank.

“We had no formal channels of finance. We used to work for meagre wages for some master craftsman or a carpet dealer who would provide us raw materials for carpet production,” he recollects.

The deficit of empathy did not (thankfully) last long.

The J&K Bank intervened and adopted the whole village, and assumed responsibility for their economic

rehabilitation. We provided them with customised, tailor made banking solutions to survive the downturn and keep their livelihoods going in a sustainable manner.

The flames of hope now burn with a renewed vigour.

While the macro level stories about monetary issues make the front page of newspapers, for most people, it is their own financial crunch that is the banner headline. The macro issues make for harsh borrowing conditions and brings tough times for ordinary people and small businesses.

WHO TOOK AWAY ALL THE MONEY?

For all the knowledge we have of the recession, and its causes, there is no straight answer that will satisfy the bemused Mohammed Abbas Hang, troubled as he is with the basic issues of feeding and sustaining his family. The esoteric world of high finance and fancy asset derivatives are meaningless to him. He is a victim.

He was a victim even before the economic troubles set in, but at least then, he was able to earn some money. In the earlier days, he survived because of the merchant who gave him raw materials and bought his labour. Even though he owned the loom and was the master weaver who made the carpet, it was the merchant who cornered most of the profits, leaving him with measly wages that just about kept body and soul together. The irony was he was the actual producer, the asset owner and the craftsman, yet what he produced did not contribute to his well being as much as it did to the merchant’s.

Then came the recession, and it was almost the proverbial last straw that would break his back.



“ When I earn money I know what I spend it on. Food. Clothes. Fuel. Wool. But you say the whole world has lost money – where did it all go? ”

- Mohammed Abbas Hang, carpet weaver, resident of Sultan Mohalla



“ Who will educate my daughters? ”

Mohammad Abbas Hang, carpet weaver, with his family

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What would he do if people stopped buying carpets?

SUSTAINING ENTERPRISE

Provisionally, the J&K Bank stepped in to right this situation.

We understood that Abbas was the victim of unfair trade arrangements and a cyclical market. His craftsmanship was not in doubt, but what he suffered from was the lack of sustaining power to wait out the recession.

Under the Scheme we lent him a term loan to buy raw materials and sustain his productivity. What he found was not just an alternative source of funding to the merchant, but the freedom from an exploitative economic arrangement and the power to negotiate prices of his carpets. Even in a sluggish economy, the disintermediation alone would contribute to his improved prospects.

Though his economic problems are not yet fully resolved,

Mohammed Abbas Hang is one of the people who smile and look forward to a brighter future in Sultan Mohalla.


And that, for us is our first dividend.

Being a socially conscious bank means looking beyond the business and commercial issues and intervening to make a real difference in the lives, livelihoods dreams and hopes of people. After all when we invest in or fund a business, we are actually financing the people who run the enterprise.

“I brought them into this world, and I am responsible for them – how can I tell my daughters that the buyers have flown like the startled flock of pigeons?” asks Abbas.

THE CHALLENGE OF TOMORROW

The cyclical boom and bust mean nothing to Abbas, and knowing he had no answer, he had settled into an uneasy silence. He kept looking at his hands, and then at the loom. Even the merchant with whom he had worked for nearly three decades had nothing for him but words of consolation.



Abbas dreaded tomorrow. He had responsibilities – a family with five daughters and his extended family of three sisters.

The two eldest daughters Sahida and Fatima worked with him on the looms, while his other children Mubeena (16), Nuzhat (12), Tahira (10) and Zahir Hussain (18) studied.

He had dreamt of educating his three younger daughters and helping them find a calling other than the looms – but now, even that seemed uncertain. Nuzhat, the fourth daughter of Abbas is a class 6 student at the Government middle school. Little Nuzhat aspires to be a teacher and her sister Tahira, a class 4 student, dreamt of studying medicine.

His wife, children and his sisters depended on him. Alas, he did not have anyone to depend on.

HELP AT HAND

Then a thought struck him – Hadn't Murtaza, his cousin living at Lal Chowk spoken about how the J&K Bank helped him when he was seeking finance? Could he too? There was nothing to be lost anyway. Abbas decided to go to the Bank.

He embraced Tahira, who was standing near him, and said, "Who knows little one, maybe there is hope, after all." With a kiss and a hug, he started off.

At the Bank, we could read everything on Abbas' eyes and his demeanour.

Abbas found a sympathetic reception at the Bank and he came away not just with money to tide him over, but a solution to his systemic predicament.

The Bank financed his requirement of working capital and left him enough to tide him over for the season. They would also help him market his carpets and assured him of a 'buyer of last resort' if required.

That night Abbas Baig slept soundly. In the morning, he stepped out to see the light dawning over the hills, and he raised his hands in a silent prayer.

Hope had returned into his abode. So had warmth and security.

For us at J&K Bank, this was the meeting point of social commitment and 'for profit' perspective.

"Handicrafts in Kashmir are much more than a business. It is our connect to our tradition, our history and an inseparable part of our social tapestry. In fact you could call it the expression of our collective emotions," says Dr. Haseeb A. Drabu, Chairman & CEO, J&K Bank.

Obviously, financing craftsmen, helping them to overcome the impact of the slowdown and aiding the restructuring of their economic relationships, was much more than a business decision. We understood that the loss of our craft and skills was not just another anonymous business closing down, it was the loss of one of Kashmir's greatest assets and part of our identity. We knew that uniquely in the case of these craftsmen, financing the person was akin to financing an asset that could generate returns for years to come.

The J&K Bank has various schemes such as Dastkar Finance, KhatamBand Finance or the Artisan Livelihood Finance tailored to meet the requirements of artisans, and keep their livelihoods going.

Sultan Mohalla gains pride, loses prejudice.

Today, we have contributed our might to bringing pride back to this small hamlet of artisans. We also went one step ahead and provided solutions that would foster healthy business relationships based on market reality and not on exploitative prejudice and avarice. We have acted not just as a banker, but a concerned Kashmiri citizen.