

80<sup>TH</sup>  
ANNUAL  
REPORT  
2003-2004

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## Board of Directors ನಿರ್ದೇಶಕರ ಮಂಡಳಿ

**Chairman & Chief Executive Officer**  
ಅಧ್ಯಕ್ಷರು ಮತ್ತು ಮುಖ್ಯ ಕಾರ್ಯ ನಿರ್ವಾಹಕ ಅಧಿಕಾರಿ



Sri Ananthakrishna  
ಶ್ರೀ ಅನಂತಕೃಷ್ಣ



Sri B.V. Acharya  
ಶ್ರೀ ಬಿ.ವಿ. ಆಚಾರ್ಯ



Sri K.S. Bhat  
ಶ್ರೀ ಕೆ.ಎಸ್. ಭಟ್



Sri I. Ramamohan Rao  
ಶ್ರೀ ಐ. ರಾಮಮೋಹನ ರಾವ್



Sri M.R. Mayya  
ಶ್ರೀ ಎಮ್.ಆರ್. ಮಯ್ಯ



Sri U.V. Bhat  
ಶ್ರೀ ಯು.ವಿ. ಭಟ್



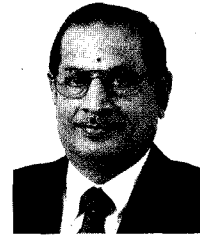
Sri D. Surendra Kumar  
ಶ್ರೀ ಡಿ. ಸುರೇಂದ್ರ ಕುಮಾರ್



Sri I. Jagdish Rao  
ಶ್ರೀ ಐ. ಜಗದೀಶ್ ರಾವ್



Sri K.G. Jairam  
ಶ್ರೀ ಕೆ.ಜಿ. ಜೈರಾಮ್



Sri M. Bheema Bhat  
ಶ್ರೀ ಎಮ್. ಭೀಮ ಭಟ್



## THE KARNATAKA BANK LIMITED

(Regd. & Head Office: Mahaveera Circle, Kankanady, Mangalore - 575002)

### **NOTICE TO THE MEMBERS**

Notice is hereby given that the Eightieth Annual General Meeting of THE KARNATAKA BANK LIMITED will be held as scheduled below:

Date : 29<sup>th</sup> July, 2004.  
Day : Thursday.  
Time : 4 P.M.  
Place : Registered & Head Office :  
Karnataka Bank Ltd.,  
Mahaveera Circle, Kankanady,  
Mangalore - 575002.

to transact the following business:

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account for the year ended on that date together with the reports of the Auditors and the Directors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Shri I. Jagdish Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Shri K. G. Jairam, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Shri K. S. Bhat, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. (The Board of Directors propose to appoint M/s P. Ishwara Bhat & Co,

Chartered Accountants, # 107, Swiss Complex, # 33, Race Course Road, Bangalore 560 001, the retiring Statutory Central Auditor along with M/s Rao & Swami, Chartered Accountants, 2/1, Connaught Road, Bangalore- 560052 as Statutory Central Auditors of the Bank jointly for the year 2004-05. Necessary approval of the Reserve Bank of India for the above appointment has been obtained. M/s Kamath & Rau, Chartered Accountants, Mangalore, the other retiring Statutory Central Auditor, will be completing 4 years continuous association as auditor of the Bank and therefore have to be rested for 2 years as per the policy of the Reserve Bank of India).

### **SPECIAL BUSINESS**

7. To consider the passing of the following resolution as an ORDINARY RESOLUTION with or without modifications.

“RESOLVED THAT in terms of section 228 of the Companies Act, 1956, the Board of Directors be and are hereby authorised to appoint from time to time and in consultation with the Bank’s Statutory Central Auditors one or more persons qualified for appointment as branch auditor/s to audit the accounts for the year ending 31st March, 2005 of such of the branches/ offices of the Bank as are not proposed to be audited by the Bank’s Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed by the Board of Directors”.

8. To consider the passing of the following resolution as a SPECIAL RESOLUTION with or without modifications.

“RESOLVED THAT pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors (hereinafter referred to as “the Board, which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Bank be and is hereby accorded to the Board to delist the Bank’s Equity Shares from Mangalore Stock Exchange, Mangalore and the Bangalore Stock Exchange Ltd., Bangalore at such time as the Board may decide in this regard.

RESOLVED FURTHER that the Bank would continue listing of its shares with National Stock Exchange of India Ltd., Mumbai.

RESOLVED FURTHER that the Board be and is hereby authorized to take all necessary steps in this regard in order to comply with the legal and/ or procedural formalities, to do all such acts, deeds or things to give effect to the above resolution”.

9. To consider the passing of the following resolution as a SPECIAL RESOLUTION with or without modifications.

"RESOLVED THAT pursuant to section 94 of the Companies Act, 1956 read with Article 15 (1)(a) of the Articles of Association of the Bank, the authorized Capital of the Bank be and is hereby increased from the existing Rs. 50,00,00,000/- divided into 5,00,00,000 Equity shares of Rs. 10/- each to Rs. 150,00,00,000/- divided into 15,00,00,000 Equity shares of Rs. 10/- each and in that connection, the clause 5 of the Memorandum of Association of the Bank be and is hereby amended to read as under:

The Authorised share capital of the Bank is Rs. 150,00,00,000/- divided into 15,00,00,000 Equity shares of Rs. 10/- each".

10. To consider the passing of the following resolution as a SPECIAL RESOLUTION with or without modifications.

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article 3(a) of the Articles of Association of the Bank be and is hereby amended to read as under:

The Authorised share capital of the Bank is Rs. 150,00,00,000/- divided into 15,00,00,000 Equity shares of Rs.10/- each".

11. To consider the passing of the following resolution as an ORDINARY RESOLUTION with or without modifications.

"RESOLVED THAT, subject to the approval of the Reserve Bank of India (RBI), approval of the Bank be and is hereby accorded for the payment of revised remuneration and other benefits/perquisites mentioned in the explanatory statement, to Shri Ananthakrishna, Chairman & Chief Executive Officer of the Bank w.e.f. 1.4.2004.

FURTHER RESOLVED that the Board of Directors be and is hereby authorised to make such modifications in the above revision as may be advised by the Reserve Bank of India while according their approval".

**NOTE:**

- (i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE BANK.
- (ii) Proxies if any, duly completed in the prescribed proxy form shall be deposited at the Registered Office of the Bank at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.



- (iii) The Register of Members and Share transfer books of the Bank will remain closed from 24.07.2004 to 29.07.2004 (both days inclusive).

Registered Office:  
Mahaveera Circle, Kankanady  
Mangalore-2.  
Date : 29.5.2004

By order of the Board of Directors  
Y. V. Balachandra  
COMPANY SECRETARY

**NOTE:**

1. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956, in respect of the special business set out above is annexed.
2. Members are requested to immediately notify to the Registrar & Share Transfer Agent of the Bank- M/s Alpha Systems (P) Ltd, 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleshwaram, Bangalore-560003 /their Depository Participants, changes, if any, in their addresses.
3. Members who desire to authorise the Bank to credit their dividend on their behalf to the account maintained with their bankers may write to the Registrar & Share Transfer Agent of the Bank.
4. Members are requested to furnish their Bank Account details for printing the same on the dividend warrants to prevent fraudulent encashment of dividend warrants.
5. Members/representatives of bodies corporate / proxies should handover the attendance slip at the entrance of the meeting hall duly filled in and signed for attending the meeting.
6. Members are requested to bring their copies of the Notice and the Annual Report to the meeting.
7. Members are requested to be in their seats at the meeting hall before the scheduled time of commencement of the Annual General Meeting.
8. Members who have not encashed their dividend warrants of the previous years are hereby requested to encash the same at the earliest. The unclaimed dividend will be transferred to the Investors Education and Protection Fund as per the provisions of Section 205C of the Companies Act, 1956.
9. Members are hereby requested to note that trading and settlement of transactions in the shares of the Bank on the Stock Exchanges can be done only in dematerialised form.
10. Members desiring any information about the annual accounts at the meeting are requested to write to the Bank so as to reach the Bank at least 5 days in advance of the Annual General Meeting.
11. Article 74A of the Articles of Association of the Bank states that any suit by a member or members relating to any Annual General Meeting or Extraordinary General Meeting of the Bank or any meeting of its Board of Directors or a Committee of Directors or to any item of business on the agenda of any such meeting shall be subject to the exclusive jurisdiction of courts in Mangalore city.

## **INFORMATION ABOUT DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING**

In terms of the requirements of the Listing Agreement pertaining to Corporate Governance the following information is furnished about the Directors seeking re-appointment at this Annual General Meeting:

### **Item No. 3: Re-appointment of Shri I. Jagdish Rao :**

Shri I. Jagdish Rao was the General Manager of State Bank of India/ SBI Capital Markets Ltd before his retirement from the service. During his service he was a regular participant in the meetings of Committee of Directions of RBI and was the Chairman of the Committee appointed by RBI to determine inventory norms for fertilizer industry in 1988. He was associated in formulating RBI policies for financing Tea, Sugar and several other industries. He was in charge of Merchant Banking for over 2 years and had handled several prestigious public issues. He was instrumental in starting Association of Merchant Bankers of India (AMBI) and was in the Co-ordination Committee of AMBI. He was also associated with agricultural lending.

After retirement, Shri I. Jagdish Rao was appointed as the Executive Director of M/s. Overseas Sanmar Financial Services Ltd. for 3 years.

At present Shri I. Jagdish Rao does not hold directorship in any other Company.

The Bank has gained from the vast experience and knowledge of Shri I. Jagdish Rao. Shri I. Jagdish Rao is on the Board of our Bank since 2000. He is also a member of the Executive Committee of the Board of Directors of the Bank. Continuation of Shri I. Jagdish Rao as Director of the Bank would provide a substantial value addition to the Bank in achieving its future objectives.

### **Item No: 4: Re-appointment of Shri K. G. Jairam:**

Shri K. G. Jairam is a graduate from University of Mysore. He has deep knowledge of agriculture as well as business. He is also on the Board of M/s. Comat technologies (P) Ltd. and M/s. Areca Investments (P) Ltd. besides being the managing partner of Kimmane Gundappa & Sons and Gundappa & Co.

Shri K. G. Jairam is on the Board of our Bank since 2000. The Bank has gained from the vast experience and knowledge of Shri K. G. Jairam. Continuation of Shri K. G. Jairam as Director of the Bank would provide a substantial value addition to the Bank in achieving its future objectives.

### **Item No:5: Re-appointment of Shri K. S. Bhat.**

Shri K. S. Bhat, retired Chief Post Master General (Karnataka Circle) was in the service of Government of India, Department of Posts in various capacities. He has rich administrative experience. He does not hold directorship in any other Company.

Shri K. S. Bhat is a member of Committee for I T Strategy, Investors and Shareholders Grievance Committee, Audit Committee of Board of Directors of the Bank and a Special Committee of the Board to monitor the large value frauds.

Shri K. S. Bhat has been on the Board of the Bank since 1998. The Bank has gained from the vast experience and knowledge of Shri K. S. Bhat. Continuation of Shri K. S. Bhat as Director of the Bank would provide a substantial value addition to the Bank in achieving its future objectives.

### **EXPLANATORY STATEMENT**

**(Pursuant to section 173 of the Companies Act, 1956)**

Inconformity with section 173(2) of the Companies Act, 1956, the following explanatory statement sets out the material facts relating to items 7 to 11 appearing in the accompanying notice dated 29.5.2004.

#### **Item No.7**

As per clause (a) of sub-section (3) of section 228 of the Companies Act, 1956, General Meeting of the shareholders may authorise the Board of Directors to appoint branch Auditors for the purpose of audit of branches/ offices by persons qualified to act as Auditors under section 226 in consultation with the Statutory Central Auditors of the Bank.

It is proposed to appoint branch auditors for the year ending 31.3.2005 and the terms and conditions including the remuneration payable to them in consultation with the Bank's Statutory Central Auditors.

The Board of Directors recommends resolution for approval by the members.

None of the Director is interested in this item of business.

#### **Item No.8**

At present the equity shares of the Bank are listed on the following Stock Exchanges:

1. Mangalore Stock Exchange, Mangalore
2. Bangalore Stock Exchange Ltd. Bangalore
3. National Stock Exchange of India Ltd. Mumbai.

The technological development has enabled trading in the shares of the Bank through the terminals provided by the National Stock Exchange from any parts of the Country. The trading volumes on other Stock Exchanges are negligible. The continued listing of shares on other stock exchanges does not confer any advantage to the Bank/ investors.

Under SEBI (Delisting of Securities) Guidelines 2003, the Bank is not required to offer an exit route to the investors for delisting its shares from any stock exchange, provided that the shares continue to remain listed on the stock exchanges with national trading terminals i.e BSE and NSE.

The Board of the Directors of the Bank at the meeting held on 27.4.2004 has recommended the delisting of equity shares and therefore it is decided to apply for the voluntary delisting of the shares of the Bank from Mangalore Stock Exchange and Bangalore Stock Exchange Ltd at such time as the Board may decide in this regard.



The proposed voluntary delisting of the shares of the Bank from the said stock exchanges will not adversely affect any investors including the members located in the regions of the said stock exchanges are situated. Pursuant to SEBI (Delisting of Securities) Guidelines it is proposed to seek members' approval by way of a Special Resolution for voluntary delisting of the Bank's shares from the said stock exchanges as set out in the Resolution at item No. 8.

The proposed delisting of shares is in the interest of the Bank and the Board commends the resolution for approval by the members.

None of the Director is interested or concerned in this resolution.

**Item No. 9 & 10:**

The present authorized and paid up capital of the Bank is Rs.50 crore and 40.42 crore respectively. The Bank is aiming at substantial increase in its business in the coming years and with a view to further improve the capital adequacy ratio, the Bank may consider further issue of equity shares in the near future. Therefore it is necessary to alter the Memorandum and Articles of Association as proposed in item No. 9 & 10 of the notice

Alteration of capital clause requires the approval of the share holders by means of a special resolution. Therefore the Board of Directors recommends the resolution for approval by the members.

None of the Directors is interested in this item of business.

**Item No.11:**

The Board of Directors at the meeting held on 29.5.2004 have resolved to revise the salary and other allowances etc payable to Shri Ananthakrishna, Chairman & CEO of the Bank, considering the increasing business volume of the Bank, responsibilities shouldered by the Chairman and the remuneration package of Peer Banks in the private sector, as under :

Sl. No.	Description	Amount
1	Basic Salary	Rs.1,00,000-10,000-1,40,000. The basic pay to be fixed at Rs.1,00,000 per month w.e.f 1.4.2004.
2	Dearness Allowance	20% of basic salary.
3.	House Rent Allowance	Free furnished residential accommodation. Proper upkeep and security arrangement to the residential accommodation to be provided by the Bank. Till the bank arranges to buy and provide an independent house to the Chairman, allowance @ 15% of basic pay be given.
4	Conveyance	Free use of Bank's Car for official purpose. (Journeys from residence to office and vice versa to be treated as duty runs). For personal use including use by family, recovery of Rs. 250/- per month upto 750 Km and at 60% of the rate fixed by the Regional Transport Authority in excess of 750 Kms.
5	Entertainment	Rs. 12000/- pa. Membership fees of two clubs, if any, will be adjustable within this ceiling.

6	Medical	Reimbursement upto Rs. 10000/- pa for self and family on declaration basis. Hospitalisation charges could be reimbursed to the extent of 100% in the case of self and 75% for dependant family members.
7.	Travelling Expenses	As may be decided by the Board from time to time.
8	Insurance Cover	Personal accident insurance cover upto Rs. 10,00,000/=.
9.	Halting allowance	As may be decided by the Board from time to time.
10	L F C & Leave	As applicable to the Officers of the Bank. Journey can be undertaken by highest class available by Train or Air.
11	Provident Fund	10% of basic salary.
12	Gratuity	As applicable to the Officers of the Bank without the restriction of minimum period of service. The bank should seek approval of the Reserve Bank of India as and when the gratuity is proposed to be paid.
13	Bonus and sitting fees	NIL
14	Leave encashment	Encashable at the time of demission of office upto the limit as applicable to the Officers of the Bank.
15	Telephone	Telephone facility at Chairman's residence at Bank's Cost.
16	Effective date of revision	1.4.2004

Necessary application seeking the approval of Reserve Bank of India for the above revision has been made as required under the Banking Regulation Act, 1949.

This may also be treated as an abstract of variation in the terms of appointment of Shri Ananthakrishna, Chairman and CEO of the Bank as per section 302 of the Companies Act, 1956.

The resolution seeks members' approval for the salary, allowances and other perquisites payable to Shri Ananthakrishna, Chairman and Chief Executive Officer of the Bank as per the revised terms.

The Board of Directors recommends the resolution for approval by the members.

Except Shri Ananthakrishna, none of the other Directors is interested in this item of business.

Registered Office:  
Mahaveera Circle, Kankanady  
Mangalore -575 002.  
Date: 29.5.2004.

By Order of the Board of Directors  
Y. V. Balachandra  
COMPANY SECRETARY