

Report  junction.com

# Tradition Technology

Annual Report 2006-'07



BOARD OF DIRECTORS



# Chairman's Message

My Dear Shareholder,

It is my pleasure to present the excellent financial results of your bank for the financial year 2006-07. Inflationary tendencies were back in the economy, which resulted in money becoming dearer. Interest rates began their northward journey from the latter part of the previous fiscal; the Rupee also appreciated against the Dollar.

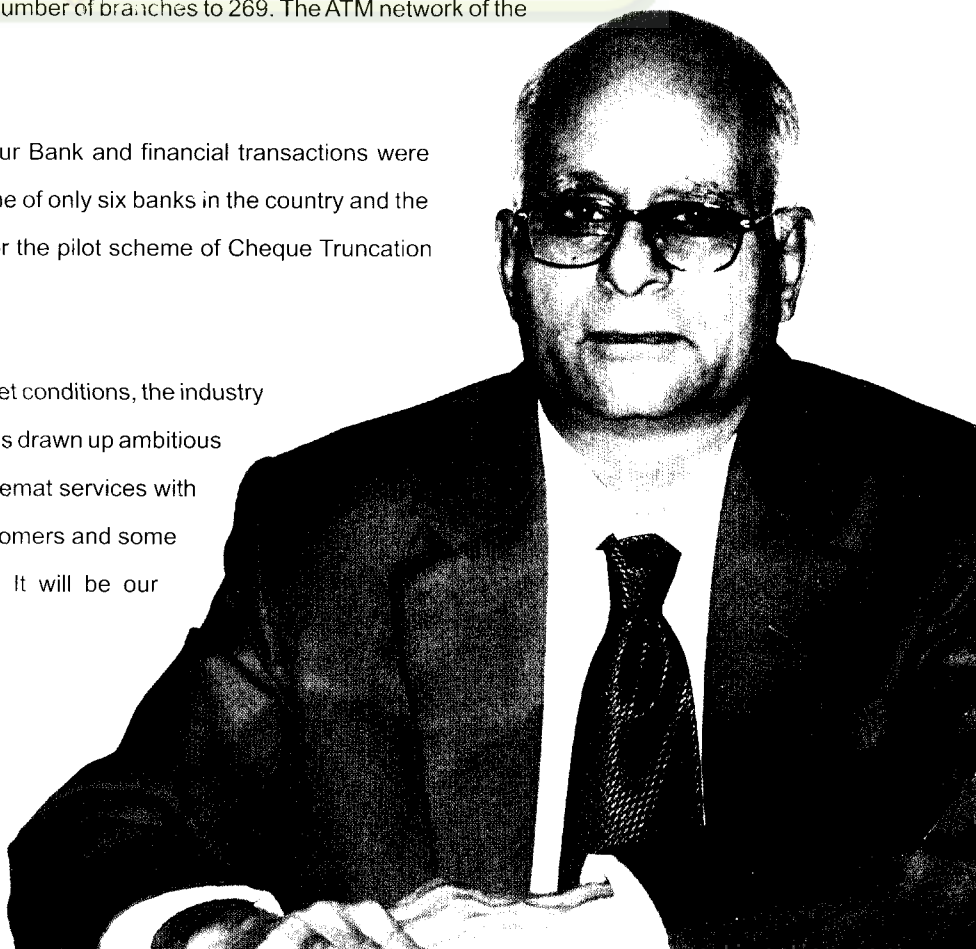
On the whole 2006-07 was good for the general business of your bank and several significant financial landmarks were recorded.

- Total Business of the Bank reached a level of Rs. 16380.77cr. with a deposit figure of Rs. 9340.29 cr. and advances figure of Rs. 7040.48 cr.
- Net Owned Funds of the bank stood at Rs. 1063.16 cr., making your Bank the first Tamilnadu-based Old Private Sector Bank and the third such bank in the country to cross the magic figure of Rs. 1000 cr. under Capital Funds. This amount is constituted entirely of Tier I capital only
- Net Profit achieved during the year was Rs. 160.01cr.
- Net NPA percentage was brought further down and stood at 0.23%.
- On the increased asset base, the Capital Adequacy Ratio was at a healthy 14.51% against the RBI stipulation of 9%.

In its desire to achieve a pan India presence, your bank embarked on a rapid branch network expansion programme, which saw the opening of 28 new branches across the country to take the total number of branches to 269. The ATM network of the branch improved to 242.

Technology continued to engage the attention of your Bank and financial transactions were introduced in Net Banking services. Your bank was one of only six banks in the country and the sole old private sector bank to be selected by RBI for the pilot scheme of Cheque Truncation Process in the country

With regard to the outlook for 2007-08, given the market conditions, the industry will continue to see high rates of interest. Your Bank has drawn up ambitious targets of achieving total business of Rs. 21020 cr. Demat services with online trading facilities will be available to all our customers and some more customer-focused services will be launched. It will be our endeavour to take the branch network to 300+.





The process of issue of Bonus shares in the ratio of 1:1 was completed in July, 2006. The Rights Issue in the ratio of 1:2 was oversubscribed by 1.43 times and the allotment procedure was completed in February, 2007. I heartily thank each one of you for the confidence reposed on the management of KVB thereby ensuring the resounding success of the Rights Issue.

You are aware that enhancement of shareholders' value is one of the prime objectives of your Bank. I am happy to inform you that the Board of Directors have once again recommended a dividend of 100%, tax-free in the hands of the shareholders. This is the fourth year in succession that the dividend has been maintained at 100% since it was first announced in 2003-04. You will appreciate that the dividend rate has been maintained for the enhanced capital also.

Two significant awards were received by your bank during 2006-07. Business Today - KPMG in their survey on the Best Banks in India adjudged your Bank as The Most Efficient Bank in the category of balance sheet size less than Rs. 20000 cr. In a similar survey conducted by Financial Express - Ernst & Young, your bank received the accolade of being the No. 1 Old Private Sector Bank in the country. Clearly these recognitions are a result of the sustained growth and strong financials of your bank.

I am sure that your Bank will continue to enjoy your unqualified support, as always, in its onward progress to achieve higher business parameters and to bring the fruits of technology in its entirety to the benefit of its customers.

I look forward to have the pleasure of your company at the General Body Meeting to be held at Karur on 20<sup>th</sup> July, 2007.

With warm wishes,

Yours sincerely,

**P.T. KUPPUSWAMY**  
CHAIRMAN

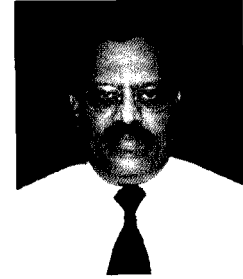




**Shri. R. Sukumar**  
M.Sc.  
**GENERAL MANAGER**



**Shri. S. Nagarajan**  
B.Sc., C.A.I.I.B.  
**CHIEF GENERAL MANAGER**



**Shri. R. Sakthivelu**  
B.Sc., M.A., B.G.L., C.A.I.I.B.  
**GENERAL MANAGER**

**DEPUTY GENERAL MANAGERS**

**Shri.S.Ramalingam**, B.Sc., BGL., C.A.I.I.B.  
**Shri.A.Ananda Nadarajan**, B.Com., C.A.I.I.B.  
**Shri.K.Venkateswara Rao**, B.Sc., M.A.  
**Shri.R.Jagadeesan**, B.Sc., C.A.I.I.B.  
**Shri.A.S.Vasudevan**, B.Com., A.C.A.  
**Shri.J.Hariharan**, M.Com., D.P.M&I.R., Dip in Trg & Development, C.A.I.I.B.  
**Shri.J.Natarajan**, M.A., C.A.I.I.B.  
**Shri. R. Venkataramana**, M.Com., C.A.I.I.B., A.C.S., L.L.B.  
**Shri. A.R. Ramachandran**, B.Com., C.A.I.I.B., Cert. in Fin. Marktg & AMFI

**ASSISTANT GENERAL MANAGERS**

**Shri.Ramesh Prabhu**, M.Com., J.A.I.I.B.  
**Shri.T.Sivarama Prasad**, B.Tech, J.A.I.I.B.  
**Shri.S.Balaji**, M.A., L.L.B., C.A.I.I.B.  
**Shri.G.S.Anantha Kumar**, M.Com.  
**Shri.V.Srinivasan**, B.Sc., M.B.A., J.A.I.I.B.  
**Shri.V.Subramanyam**, B.Com., J.A.I.I.B.  
**Shri.K.M.Thimmiah**, B.Sc.  
**Shri.M.Balachandran**, B.A., M.B.M., C.A.I.I.B., PG Dip in Fin Management  
**Shri.V.Srinivasan**, B.Com., A.C.A., A.C.S., C.A.I.I.B.  
**Shri.S.Babuji**, B.Sc., BGL., C.A.I.I.B.  
**Shri.S.Balasubramanian**, B.A., B.L., M.L.S., D.L.A.L., PG Dip. in Per Mgt & IR, J.A.I.I.B.  
**Shri.T.K.Sankara Vadivel**, M.A.  
**Shri.K.P.Swaminathan**, M.A., C.A.I.I.B.  
**Shri.S.Sekar**, B.Sc.  
**Shri.K.Mohan**, B.Com(Hon), LLB., A.C.S(inter), C.A.I.I.B.  
**Shri.A.Vijayakumar**, M.Sc., C.I.S.A., C.A.I.I.B.  
**Shri.K.Panchapakesan**, M.Com. C.A.I.I.B. PG DIP.IN Comp.Appln.  
**Shri.M.Balasubramanian**, M.Com. J.A.I.I.B. Cert.in Fin.Marktg & AMFI  
**Shri.G.P.Ashok Kumar**, B.Com. C.I.S.A. D.C.M.P C.A.I.I.B.  
**Shri.L.Muthukrishnan**, B.Sc B.G.L. C.A.I.I.B.  
**Shri.Ashok Vennelakanti**, B.L. M.Com. C.A.I.I.B.  
**Shri.K.Sathyamoorthy**, B.A.  
**Shri.R.Ramalingam**, B.Com. J.A.I.I.B.  
**Shri.V.Palanisamy**, B.Sc

**COMPANY SECRETARY**

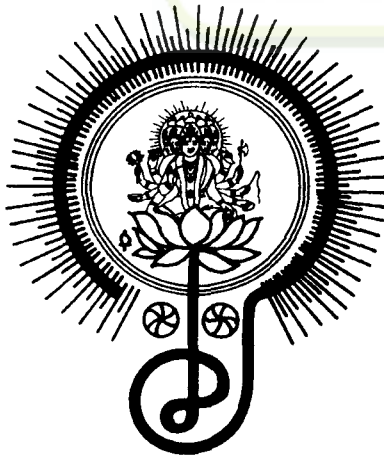
**Shri.R.Kannan**, B.Com., BGL., A.C.S., C.A.I.I.B., M.B.A., D.C.A

**LEGAL ADVISER**

**Shri.K.N.Shrinivasan**, B.A., B.L.

**AUDITORS**

**M/s. J.L.Senguta & Co**, Chennai.



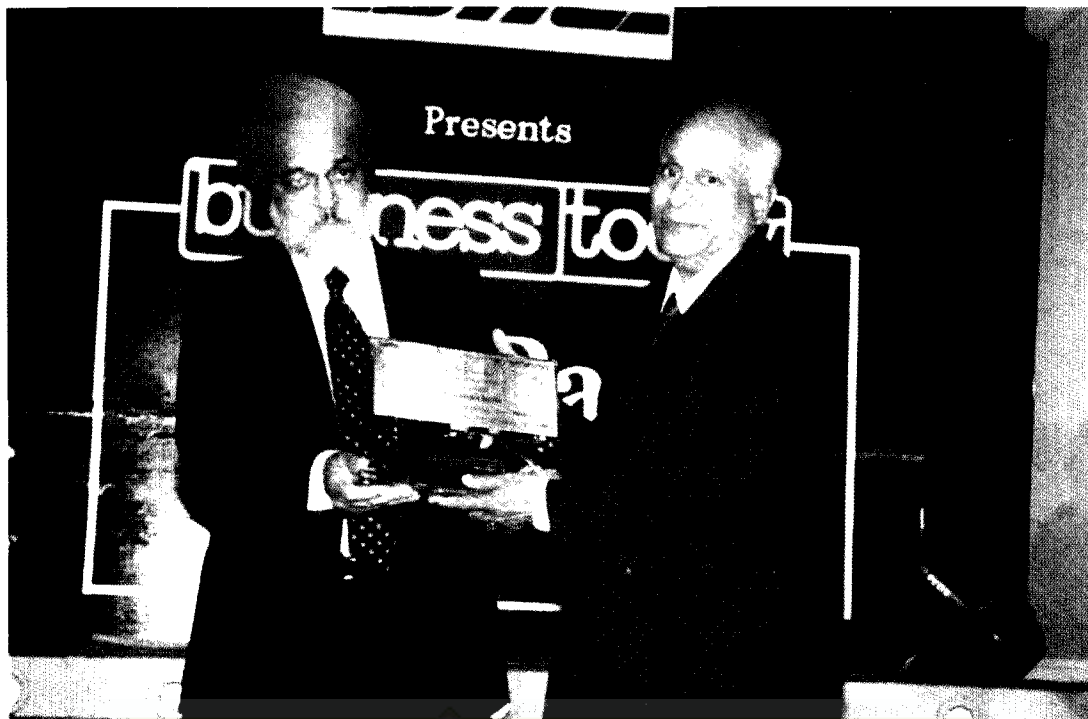
**SRI GAYATHRI DEVI**



**Karur Vysya Bank**

*Smart way to bank*

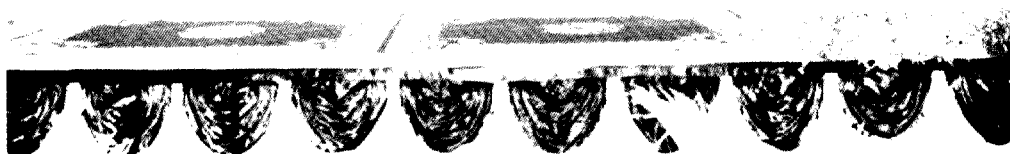
## BEST BANK AWARD



THE MOST EFFICIENT BANK award presented by  
Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission



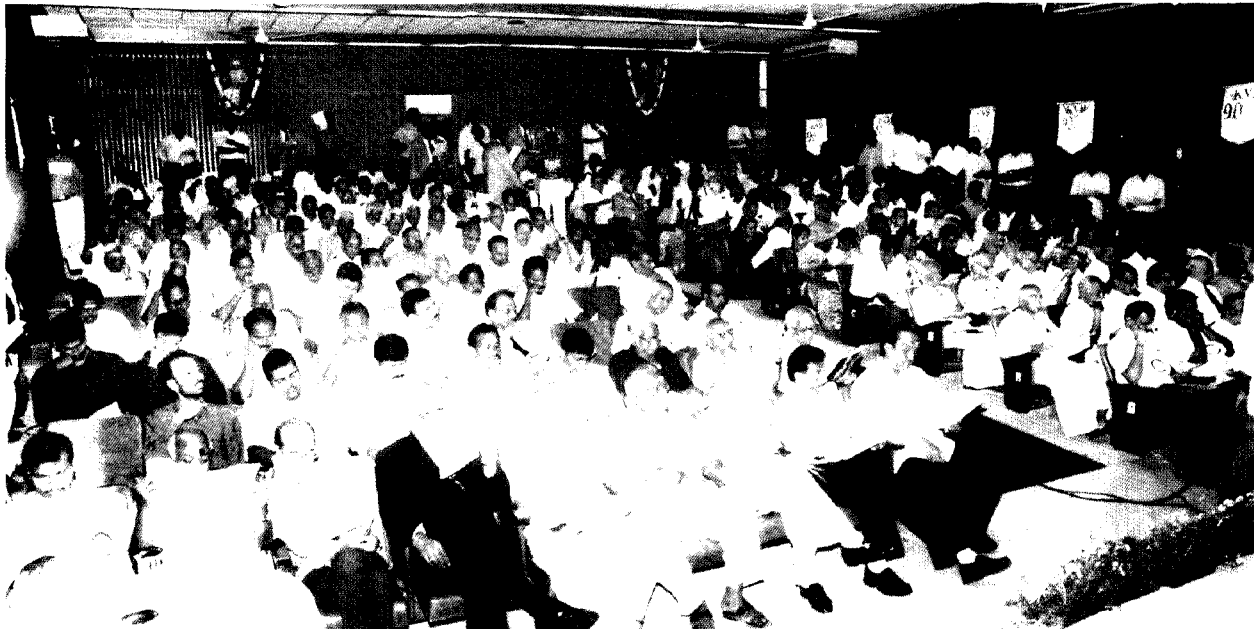
## 90th ANNIVERSARY & FOUNDERS' DAY CELEBRATIONS







87TH ANNUAL GENERAL MEETING



87TH ANNUAL GENERAL MEETING - AUDIENCE





## Directors' Report

The Board of Directors present with immense pleasure your Bank's 88<sup>th</sup> Annual Report together with the audited financial statements for the year ended 31<sup>st</sup> March 2007.

The Board is very glad to share with the shareholders the good news that your Bank has been adjudged as **No.1 old private sector bank in the Best Banks survey** conducted by the Financial Express and Ernst Young. The survey based on five major criteria to compare performance of banks are Growth, Credit quality, Strength and soundness, Profitability and Efficiency/productivity.

In the latest survey of Best Banks in the country conducted by Business Today KPMG, your bank has been rated as THE MOST EFFICIENT BANK ( in the balance sheet size less than Rs.20,000 cr. )

### 1. MACRO ECONOMIC OVERVIEW

The Indian Economy witnessed a robust growth during the fiscal 2006-07 and this is the fourth year in succession the growth was registered. The Gross Domestic Product is expected to be around 9.2% up from 9% in the previous fiscal. Industrial production has recorded a growth of 12.9%. Riding on the growth of manufacturing sector, the Industry grew by a whopping 11.3% in 2006-07 compared to a growth of 8.2% recorded in 2005-06. As many as 10 out of 17 industry groups showed double-digit growth in 2006-07 which include wood and wood products, basic metal and alloys, transport equipment and parts, cotton textiles and machinery other than transport, rubber, plastic, petroleum and coal products, beverages, tobacco and related products. The sectors which did not perform well include jute, leather products etc. Services sector also recorded an impressive performance of 11% growth. Growth of agriculture and allied activities however slowed down to 2.7% during the fiscal.

Liquidity conditions in the Money market depicted variations led by factors such as capital inflows, CRR hikes etc. Inflation during the year remained at elevated levels on account of upward pressures exerted mainly by prices of primary food items such as rice, wheat, pulses etc as also the manufactured products reflecting pressures both from the supply and demand sides. The year-on-year inflation was at 5.7% as at 31<sup>st</sup> March 2007 compared to 4% in the year gone by.

The fiscal 2006-07 witnessed a credit and monetary expansion binge that is unprecedented both in absolute as well as relative terms. During the fiscal, banks have lent an additional Rs.410285 cr, an all time record. In earlier years, banks used to park major portion of the funds in Government and other securities. With the booming economy, there has been spurt in credit demand from all sectors of the economy that banks responded to by lending aggressively.

On the external front, exports recorded a lower growth rate. Foreign exchange reserves built up during the year 2006-07 were high to the tune of Rs.193170 cr. In the forex market the rupee

strengthened on account of moderation in crude oil prices, FII inflows and weakness of US dollar in the international markets.

### 2 PERFORMANCE OF THE BANK

The highlights of the performance of your bank during the fiscal are given under:

	Rs. in cr
1. Deposits	9340.29
2. Gross Advances	7194.37
3. Total Income	986.55
4. Operating Profit	273.78
5. Net Profit	160.01

### Appropriations

Transfer to	
1. Statutory Reserve	48.10
2. General Reserve	119.25
3. (a) Proposed Dividend ( 100 % )	53.94
(b) Dividend Tax	9.17
(inclusive of surcharge & education cess)	

### Other performance highlights:

1. Net worth	Rs. 1063.16 cr
2. Book value per share	Rs. 197.09
3. Earnings per share	Rs. 32.80
4. Capital Adequacy Ratio	14.51 %

### 3. DEPOSITS

The aggregate deposits of the bank stood at Rs.9340.29 cr, an increase of Rs.1763.45 cr (23.27%) over the previous fiscal level of Rs.7576.84 cr. Low cost deposits account for 27.71% and term deposits constitute 72.29% of the total deposits. The growth in low cost deposits was 26.93% (25.04%) during the fiscal from Rs.2038.88 cr in 2005-06 to Rs.2588.01 cr in the fiscal under report. The term deposits registered an increase of Rs.1214.31 cr, a growth of 21.93% over the previous year to reach Rs.6752.28 cr as on March 31, 2007. The growth in time deposits is in tune with the year on year growth in time deposits of commercial banks.

In the low cost segment, the savings deposits registered an impressive growth of 25%.

### 4. CREDIT PORTFOLIO

The advances of the bank rose from Rs.5700.89 cr to Rs. 7194.37 cr during 2006-07 registering an impressive growth of 26.20% .The yield on advances was 10.00 % for the year as against 9.49% in the previous year.

The bank has complied with the mandatory norms for advances to priority sector.

### 5. RECOVERY

The Bank has employed twin strategies for containing the non-performing assets viz: accelerated recoveries and prevention of



## Directors' Report

fresh additions. Accelerated recovery plans include multipronged strategy like participation in Lok adalats, initiation of action under SARFAESI Act, vigorous follow-up of suit filed accounts and negotiated settlements. The results were fruitful as was evident from the reduction in Gross NPA levels to Rs.202.63 cr during the fiscal under report from Rs.223.15 cr in 2005-06. The Net NPA was brought down from Rs.44.83 cr to Rs.15.97 cr. The Gross and Net NPA at the end of the fiscal 31<sup>st</sup> March 2007 were at 2.82% and 0.23% as against 3.91% and 0.81% respectively during the earlier fiscal 2005-06.

### 6. SHARE CAPITAL

During the year the Bank came out with an issue of Bonus shares to the shareholders in the ratio of 1:1 and the Bonus shares were allotted on 28.07.2006.

The Bank also came out with a Rights issue during the year 2006-07 which was oversubscribed to the tune of 1.43 times. The Rights shares were allotted on 24.02.2007. The paid up capital as on 31<sup>st</sup> March 2007, after the issue of rights shares was Rs.49,48,84,300/-. The paid up capital includes 89,05,878 partly paid shares of Rs.5/- each. In the said issue as also in our earlier issue, the bank had the good fortune of continuing to enjoy the support of our shareholders who reposed their faith in the Management. The confidence of the shareholders has been a great source of strength to the Board.

### 7. DIVIDEND

The Board of Directors at the meeting held on 23<sup>rd</sup> May 2007 has recommended a dividend of 100% for the financial year 2006-07 subject to the approval of the shareholders. This is the fourth year in succession the bank has declared 100% dividend. Distribution of Tax on the dividend will be borne by the bank as in the previous years.

### 8. CAPITAL ADEQUACY

Your bank's net owned funds as on 31<sup>st</sup> March 2007 was Rs. 1063.16 cr. Your Board is pleased to inform that your Bank is the First old generation private sector bank in Tamilnadu to have crossed Rs.1000 cr mark in net owned funds and is the third Bank in the country to attain the feat from among the old private sector banks. The capital adequacy of the bank stood at 14.51% as at the end of the fiscal 2006-07, which is well above the regulatory prescription of 9%.

### 9. INVESTMENTS

The yield on 10 year Government securities averaged at 7.78% after having touched 8.40% in July 2006. The curve hardened during the year on account of sustained credit demand, tightening of monetary policy in the US and other economies including India, volatile oil prices etc. Bank has shifted securities from AFS category to HTM category as also brought down excess SLR securities as a prudent risk-management practice. During the year, bank had

shifted securities from AFS category to HTM category and thus recognized depreciation to the extent of Rs. 45.81 cr on account of such shifting.

The Gross and net investments of the bank stood at Rs. 2895.54 cr and Rs.2873.94 cr as at the end of the fiscal 31<sup>st</sup> March 2007, as against Rs.2347.17 cr. and Rs.2298.13 cr respectively as at the end of the previous fiscal ended 31<sup>st</sup> March 2006. The Bank's average yield on investments was 8.24%.

### 10. FOREX OPERATIONS

Forex turnover of the bank for the fiscal 2006-07 was Rs. 5306 cr. Export credit amounted to Rs.483.09 cr constituting 6.71% of the total advances. The bank has now commenced offering derivative products like foreign currency options and currency swaps to the customers of the bank on a back to back basis.

### 11. BRANCH NETWORK AND EXPANSION

During the year, your bank widened its network by opening 28 branches. As at the end of the fiscal, your bank had 269 branches spread over 13 States and two Union Territories. 62 new ATMs were added to the existing ATMs, taking the total of ATM population to 242 as at the end of the fiscal 2006-07.

### 12. RISK MANAGEMENT

Risk is an integral part of the banking business. The bank aims at delivering superior shareholder value by achieving an appropriate trade off between risk and returns. Effective risk management is critical to the bank's success. Integrated risk management architecture is in place for identification, measurement, monitoring and management of the risks to mitigate any adverse impact on the financials.

### 13. TECHNOLOGY INITIATIVES

Your bank has been a front runner in implementing a host of IT initiatives to effectively compete in the market. With 100% core banking solution implemented two years ago, the bank has introduced the following during the fiscal 2006-07.

- (a) RTGS transactions in all branches
- (b) Mobile banking
- (c) Bank's own VISA Access Gateway
- (d) Public Key Infrastructure (PKI) for the financial transactions in internet banking. This product is offered only by a very few banks in the country and your bank is one among them.

Your bank has been identified by RBI as one among the six banks and the only old generation Bank for the pilot run of cheque truncation system in New Delhi.