

Banking for a young India

Annual Report 2007-2008



Karur Vysya Bank

Smart way to bank

BOARD OF DIRECTORS



Sitting Left to Right. 1. Dr. V.G. Mohan Prasad, 2. Shri. M.G.S. Ramesh Babu, 3. Shri. G. Rajasekaran, 4. Shri. Athi. S. Janarthanan,

5. Shri. P.T. Kuppaswamy, 6. Shri. M.K. Venkatesan, 7. Shri. K. Ramadurai, 8. Shri. K.S. Ramabadran, 9. Shri. K.P. Kumar, 10. Shri. T.R. Ramanathan

THE KARUR VYSYA BANK LTD.

Regd. & Central Office, Erode Road, Karur – 639 002
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 Fax: 04324-225700/225595
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NOTICE OF THE 89th ANNUAL GENERAL MEETING

Notice is hereby given that the 89th Annual General Meeting of the Bank will be held at the Registered Office of the Bank, Erode Road, Karur 639 002 on Thursday, the 24th July 2008 at 10.15 AM to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To Declare Dividend.
3. To appoint a Director in the place of Shri A.S. Janarthanan who retires by rotation and being eligible, offers himself for re-appointment as Director.
4. To appoint a Director in the place of Dr. V.G. Mohan Prasad who retires by rotation and being eligible, offers himself for re-appointment as Director.
5. To appoint Auditors and fix their remuneration.

NOTE:

The retiring Statutory Auditors M/s J.L.Sengupta & Co., Chartered Accountants, Chennai (H.O.:Kolkata) are eligible for re-appointment and expressed their willingness to continue to act as Statutory Auditors of the Bank if re-appointed.

“RESOLVED THAT M/s J.L.Sengupta & Co., Chartered Accountants, Chennai(H.O.:Kolkata) be and are hereby re-appointed as Statutory Auditors of the Bank to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank on such remuneration and re-imbursement of out of pocket expenses as may be fixed by the Board of Directors on the recommendation of the Audit Committee of the Board.”

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification/s, the following resolution as an ORDINARY RESOLUTION.

“RESOLVED THAT the Board of Directors of the Bank be and is hereby authorised to appoint, in consultation with Statutory Auditors, the Branch Auditors who are qualified to act as Auditors, including Statutory Auditors pursuant to the provisions of Section 228 of the Companies Act, 1956 for the purpose of audit of the Branches of the Bank and to decide the Branch Offices to be audited by such Branch Auditors and to fix their remuneration and

reimbursement of out of pocket expenses incurred in connection with the Audit, based on the recommendation of the Audit Committee of the Board.”

7. 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 all other applicable provisions of the Companies Act, 1956 and subject to such approvals as may be necessary, Articles of Association of the Bank be and are hereby amended as follows:

To insert the following clauses in the Articles of Association:

1. To insert the following new clauses (viii) and (ix) in Article 2, after clause 2 (vii):
 - 2 (viii) 'Chairman' means a Chairman appointed by the Board either as an Executive Chairman or Non Executive Chairman.
 - 2 (ix) 'Managing Director/Chief Executive Officer' means the Managing Director/Chief Executive Officer of the bank as appointed under Article 25.
2. The existing Article 25 shall be substituted by the following:
 - 25(a) Subject to the provisions of these Articles and subject to such approval of the Reserve Bank of India as may be necessary under the Banking Regulation Act, 1949, the Board of Directors of the Bank shall elect or appoint a whole time Chairman and Chief Executive Officer of the bank. Where he is appointed on whole time basis, he shall be referred to as the Executive Chairman and shall be entrusted with the management of the whole of the affairs of the Bank and shall exercise his powers subject to the superintendence, control and direction of the Board. The Executive Chairman shall hold such office for a term not exceeding five years and be eligible for re-election or re-appointment.
 - (b) Alternatively, the Board of Directors may, subject to such approval of the Reserve Bank of India as may be necessary under the Banking Regulation Act, 1949, appoint or re-appoint one of its members to be the Non-Executive Chairman of the Bank for such period or periods as the Reserve Bank may specify while granting such approval and in that event the management of the whole of the affairs of the Bank shall be entrusted to a Managing Director / Chief Executive Officer of the Bank who shall exercise his powers subject to the superintendence, control and direction of the Board.
 - (c) The Executive Chairman or the Managing Director/Chief Executive Officer, as the case may be, shall have the knowledge and experience as required under Sec 10 B (4) of the Banking Regulation Act, 1949.
 - (d) Every Executive Chairman and Chief Executive Officer or alternatively the Non-Executive Chairman or the Managing Director/Chief Executive Officer of the Bank, shall hold office for such period, not exceeding five years as the Board of Directors may fix and on such remuneration as may be determined by the General Body and subject to the provisions of the Act or the Banking Regulation Act, 1949 be eligible for re-election or re-appointment, but shall not be liable to retirement by rotation.

3. In Article 26 para 3 for the words 'that the Chairman shall not be required to hold any qualification shares', the words 'the Executive Chairman or Managing Director/Chief Executive Officer shall not be required to hold any qualification shares' shall be substituted.
 4. In Article 37 (b) the words 'Chairman-Chief Executive Officer' shall be substituted by the words 'Executive or Non-Executive Chairman or Managing Director/Chief Executive Officer.
 5. In Article 37 (c) the word 'Chairman' shall be substituted by the words 'Executive Chairman or Managing Director/Chief Executive Officer'.
 6. In Article 40, the word 'Chairman' shall be substituted by the words 'Executive or Non-Executive Chairman or Managing Director/Chief Executive Officer'.
8. To consider and if thought fit, to pass with or without modification/s the following resolution as an ORDINARY RESOLUTION.

RESOLVED THAT pursuant to Article 25 of the Articles of Association of the Bank and approval accorded by the Reserve Bank of India under the provisions of Section 35 B of the Banking Regulation Act, 1949 and other applicable provisions of the Companies Act, 1956 the appointment of Shri P.T.Kuppuswamy as Chief Executive Officer/Managing Director of the Bank for a further period of 3 years with effect from 01.06.2008 as per the following terms and conditions, be and the same is hereby approved.

TERMS OF APPOINTMENT

Remuneration	
1. Basic Salary	Rs. 2,35,000/- p.m.
Dearness Allowance	Nil
House Rent Allowance	Nil
Conveyance Allowance	Nil
Entertainment Allowance	Reimbursement : Rs.20,000/- p.a. inclusive of entrance fee/subscription fee etc. of two clubs
Perquisites	
2. Accomodation	Standard rent of Rs.660.05 is recovered towards quarters.
3. Use of bank's car	
(i) for official purpose	Yes, with driver
(ii) Private purposes on compensating the bank with suitable amount	Recovery of Rs.250/- p.m. for journeys not exceeding 750 Kms. Above that, 60% of the rate fixed by RTA.
4. Telephone	No restriction on use of telephone/mobile/fax/ e-mail for office use.
5. Subscription to News papers/periodical	As may be required by the CEO
6. PF/Gratuity/Pension	PF-12% of pay on contributory basis.Gratuity: One month's salary for each completed year of service.

7. Travelling & Halting Allowances	(a) Single return fare by business/Executive class for travel on official purposes (b) Halting allowance (c) Boarding Charges and (d) Lodging Charges as may be decided by the Board of directors from time to time.
8. Medical benefits	
(i) Medical Aid	Reimbursement of medical expenses for self and dependent family upto Rs.20,000/- p.a. on declaration basis.
(ii) Hospitalisation	Reimbursement of hospitalization charges to the extent of 100% for CEO/MD, and 75% in case of dependent family members.
(iii) Insurance	Upon the CEO/MD laying down his office, the bank will pay or reimburse the full premiums payable/paid on the policy or policies issued under medical insurance plan covering hospitalization and other medical expenses.
9. Leave	Casual Leave: 12 days p.a. Ordinary Leave: 1 day for every 11 days of service Sick Leave: 30 days per each completed year of service.
10. LFC	(i) Air Travel for self, family members and dependents. LFC for CEO/MD and his family once in a year to and fro to any place in India. (ii) In case LFC could not be availed due to administrative contingencies, during a particular block, the facility to avail it could be carried over to the next block. Leave encashment as applicable to other executives of the bank.
11. Insurance cover	Up to Rs.10,00,000/- for journey by Air/Rail/Road for official purposes.
12. Leave encashment	Encashment of privilege leave at credit at the time of demitting the office.

'RESOLVED FURTHER THAT the consent of the Bank be and is hereby accorded to the Board of Directors of the Bank to vary/modify/increase the remuneration and other perquisites payable to Shri P.T.Kuppuswamy, Chief Executive Officer/Managing Director of the Bank from time to time as approved by the Reserve Bank of India in terms of the provisions of Sec 35 B of the Banking Regulation Act, 1949 and other applicable provisions of the Companies Act, 1956.'

9. 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 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Capital of the Bank be increased from Rs.100,00,00,000/- (Rupees One hundred crore only) to Rs.200,00,00,000/- (Rupees Two hundred crore only) by creation of 10,00,00,000 (Ten crore only) new equity shares of Rs.10/- each."

"RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause 5 of the Memorandum of Association of the Bank be and is hereby substituted with the following new clause viz.,

The Authorised Share Capital of the Bank is Rs.200,00,00,000/- (Rupees Two hundred crore only) divided into 20,00,00,000 (Twenty crore only) equity shares of Rs.10/-each with power to increase, reduce or modify the said Capital from time to time."

10. To consider and if thought fit, to pass with or without modification/s the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Bank be and is hereby amended with the incorporation of the following new Article in the place of existing Article 3.

The Authorised Share Capital of the Bank is Rs.200,00,00,000/- (Rupees Two hundred crore only) divided into 20,00,00,000 (Twenty crore only) equity shares of Rs.10/-each with power to increase, reduce or modify the said Capital from time to time."

11. To consider and if thought fit, to pass the following resolution, with or without modification/s, as a Special Resolution.

Resolved that pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or reenactment thereof for the time being in force, subject to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 and other Rules, Regulations, Guidelines, provisions of Memorandum and Articles of Association of the Bank and further subject to such approval, permissions and sanctions as may be necessary from SEBI, the Stock Exchanges, Reserve Bank of India, Government of India and other appropriate authorities as may be required and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting such approval which may be agreed or accepted by the Board of Directors (hereinafter referred to as "the Board" which expression shall include Compensation Committee or any other Committee of the Board duly authorized by the Board in this regard) at its sole discretion, the consent of the members of the Bank be and is hereby accorded to create, issue, grant/allot upto 10,00,000 equity stock options to the eligible present and future employees including Managing Director/Independent Director(s) of the Bank in one or more tranches through Employees Stock Option Scheme (ESOS) of the Bank which entitles the option holders to subscribe to 1 (one) equity share of the Bank of Rs.10/- each and in the aggregate 10,00,000 equity shares of the nominal value of Rs.1,00,00,000/-, at such price, in such manner, during such period and on such terms and conditions and in the manner as may be determined by the "Board".

Resolved further that the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the ESOS on such terms and conditions as contained in the relevant Explanatory Statement to this Notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOS.

Resolved further that the new equity shares to be issued and allotted by the Bank under the aforesaid ESOS shall rank pari passu in all respects with the then existing shares of the Bank.

Resolved further that the Bank be and is hereby authorized to take necessary steps for listing of the securities allotted under ESOS on the Stock Exchange where the securities of the Bank are listed as per the provisions of the Listing Agreement entered into with the concerned Stock Exchange and other applicable guidelines, rules and regulations.

Resolved further that in case Bank's equity share capital or its valuation is affected due to any corporate actions like issue of bonus/rights shares, any split or consolidation of face value of equity shares or any event of merger/consolidation, capitalization or other reorganization of the Bank, tender offer of equity shares or sale of undertaking, the Board may make such adjustment with respect to stock options and take other action as it deems necessary or appropriate to reflect such corporate action including but not limited to the substitution of new stock options or adjustment of outstanding stock options the acceleration of exercise period or the removal of restriction or outstanding stock options which shall however be subject to necessary approval.

Resolved further that the said options may be granted/equity shares may be allotted in accordance with the ESOS framed in that behalf, directly to such eligible employees or through a Trust, which may be set up in any permissible manner, or to the Trust to be held on behalf of eligible employees.

Resolved further that for the purpose of giving effect to the above resolutions the Board be and is hereby authorized to do all such deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing the securities without requiring the Board to secure any further consent or approval of the members of the Bank in this regard.

Resolved that a Compensation Committee of the Bank as constituted by the Board be and is hereby authorized to identify the eligible employees and determine the number of options that may be offered to them pursuant to the ESOS.

Resolved further that the Bank do make an application to the Depositories for admission of the above said Equity Shares to be allotted under ESOS.

Resolved further that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to the Managing Director /Chief Executive Officer or any one of the Directors of the Bank.

By Order of the Board

Place : Chennai
Date : 06/06/2008

R.Kannan
Company Secretary

NOTES

1. DATES OF BOOK CLOSURE:

The Register of Members and Share Transfer Books of the Bank will remain closed from 18/07/2008 to 24/07/2008 (both days inclusive).

2. PROXIES:

A member/beneficial owner entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself/herself and such a proxy need not be a member of the Bank. The proxies in order to be effective should be lodged with the Registered Office of the Bank not less than 48 hours before the commencement of the meeting.

3. EXPLANATORY STATEMENT :

The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.

4. JURISDICTION :

In terms of Article 20(v) of the Articles of Association of the Bank, only Courts in Karur shall have exclusive jurisdiction to entertain any suits against the Bank to restrain the proceedings of any General Meeting or consideration of any Resolution or item of business in its Agenda.

5. DIVIDEND ENTITLEMENT:

Dividend when approved will be paid to such of the members whose names appear in the Register of Members of the Bank as on 24/07/2008.

In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as at the end of business hours on 17/07/2008 as per details furnished by the Depositories for this purpose.

6. MULTIPLE FOLIOS:

If any shareholder is holding more than one folio for the same set of names, the shareholder/s concerned may please write to the Registrars and Transfer Agents of the bank viz: M/s SKDC Consultants Ltd., Coimbatore so that their holdings can be consolidated into one folio. This would help the shareholder/s concerned to effectively monitor their holdings as also the Dividend receivable. The shareholders will also save on expenses for dematerialisation.

7. DEMATERIALISATION OF SHARES:

The shares of the Bank have been traded compulsorily in Dematerialised form with effect from 25th June 2001 in the Stock Exchanges. The shareholders who have not so far dematerialised their shares are requested to do so in their own interest having regard to the safety and benefits attached thereto.

8. CHANGE OF ADDRESS:

Shareholders are requested to notify changes in their addresses along with PINCODE to the Registrars and Transfer Agents of the bank whose address is given below:

S K D C Consultants Ltd.,
(Unit: KVB Ltd),
No.11, Street No.1, S.N.Layout, Tatabad,
Opp. West Power House Road, Coimbatore 641 012.
Phone Nos.0422-6549995

If the shares are held in dematerialised form the beneficial owners have to intimate about any change in Bank account details, address for communication and nomination only to the Depository Participant concerned and not directly to the Bank or to its Registrars and Transfer Agents.

9. UNCLAIMED DIVIDENDS:

- a) All the shareholders and Beneficial Owners who have not so far encashed/claimed the dividends for the last 7 years i.e. from 2000-01 to 2006-2007, have to submit the dividend warrant/s if any available with them for revalidation to the Company Secretary, Karur Vysya Bank Limited, Erode Road, Karur 639 002.
- b) In terms of the Section 205C of the Companies (Amendment) Act, 1999 the dividends which are unclaimed for a period of seven years have to be transferred to "Investor Education and Protection Fund" maintained with Central Government and the shareholders/Beneficial Owners cannot make any claim for the dividends once the unclaimed dividends are transferred to such Fund.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.6

In terms of the Section 228 of the Companies Act, 1956, the Branch Offices of the Bank have to be audited either by Statutory Auditors or other qualified Auditors. Bank intends to entrust the Audit of Branch Offices either to the Statutory Auditors or to other qualified Auditors in consultation with Statutory Auditors on such remuneration and on such terms and conditions as the Board deems fit.

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

Item No.7

Reserve Bank of India vide its circular letter DBOD. No.11690/29.39.001/2006-07 dated 24.05.2007 advised all Private Sector banks to have a Part-time Chairman of the Board of Directors and a separate Chief Executive Officer/Managing Director who would be responsible for day-to-day management of the bank. RBI has also advised the Private sector banks to implement the said suggestion and report compliance. In order to carryout the said directive it is necessary that the existing Articles of Association has to be suitably amended to provide for the same. Hence the proposal is placed before the shareholders for consideration by way of amendment to the existing Articles of Association.