

# We aim for more than just the stars

9.7 million happy customers | 551 branches | 1277 ATMs



Annual Report 2012-2013



## BOARD OF DIRECTORS

### CHAIRMAN



SHRI K.P. KUMAR

### MD & CEO



SHRI K. VENKATARAMAN

### DIRECTORS



SHRI M.G.S. RAMESH BABU



SHRI S. GANAPATHI SUBRAMANIAN



SHRI G. RAJASEKARAN



SHRI A.J. SURIYANARAYANA



SHRI K. RAMADURAI



SHRI K.K. BALU



SHRI N.S. SRINATH



SHRI B. SWAMINATHAN



**KRISHNASWAMY. V**  
PRESIDENT & COO



**VENKATESWARA RAO. K**  
CHIEF GENERAL MANAGER



**ANANDA NADARAJAN. A**  
GENERAL MANAGER



**NATARAJAN. J**  
GENERAL MANAGER



**ANANTHA KUMAR. G.S**  
GENERAL MANAGER



**SIVARAMA PRASAD. T**  
GENERAL MANAGER



**RAMESH KRISHNAN**  
GENERAL MANAGER



**BALAJI. S**  
GENERAL MANAGER



**SRINIVASAN. V**  
GENERAL MANAGER

#### DEPUTY GENERAL MANAGER

VENKATARAMANA R  
BALACHANDRAN M  
SUBRAMANYAM V  
SRINIVASAN V  
BABUJI S  
BALASUBRAMANIAN S  
SWAMINATHAN K P  
MOHAN K

SANKARA VADIVEL T K  
SEKAR S  
SATHYAMOORTHY K  
SAIRAJ G R  
RAMASUBRAMANIAN S  
ASHOK KUMAR G P  
SARAVANUN C  
RAGHUNATHAN S

RAVI S  
PRASAD S K V  
SWAMINATHAN K  
SAMPATH G  
SUBBAIYAN M  
NAGARAJAN K  
KANNAN R

#### ASSISTANT GENERAL MANAGER

VIJAYAKUMAR A  
ASHOK VENNELAKANTI  
RAMALINGAM N  
JARARD THOMAS  
MURALI KUMAR M  
GOPINATH A  
CHELLADURAI S  
PANDIYAN P  
VISWANADHAM M  
PARTHASARATHI R  
LAKSHMANAN L  
VARADHARAJAN A  
VENKATESAN R  
HARIHARAN K

VENKATESH C  
RAMSHANKAR R  
RAMKUMAR B  
RAGHAVENDRAN N  
MOHAN KUMAR G  
MURALI L  
RAMESH E  
VASUDEVAN S  
LEKSHMINARAYANAN V  
CHANDRASEKARAN R N  
GANESAN R  
ELANGO R  
SANKARAN P S  
MURALIDHARAN V

SEKAR K S  
ANBURAJ V  
GOWRI SHANKAR J  
ELANGO V  
GOPALAN S  
RADHESYAM T  
RAMAKRISHNA C  
PALPANDIAN M  
SRINIVASAN G V  
SIVAKUMAR S  
RAVICHANDRAN K  
SATYA SURYA PRAKASH K



**SRI GAYATHRI DEVI**

#### COMPANY SECRETARY & DEPUTY GENERAL MANAGER KANNAN R

#### LEGAL ADVISER K N SHRINIVASAN

#### AUDITORS R K KUMAR & CO., Chennai





“Best Small Bank” award received from Shri. Jairam Ramesh, Hon’ble Minister for Rural Development - Business World Price Waterhouse Coopers Awards, 2012

“Best Old Private Sector Bank - Runner Up” award received from Shri. Anand Sharma, Hon’ble Minister for Commerce and Industry - Financial Express Awards, 2012



## *Managing Director and CEO's letter to the shareholders*

The financial year 2012-13 has seen the bank grow its business turnover from Rs. 56,300 crore to Rs. 68,300 crore. Despite slowdown in economic growth, our bank has performed reasonably well and posted comfortable results. Our strong fundamentals have been reflected in the business figures, NPA levels and profit. The decline in economic growth seems to be abating with business surveys pointing out to signs of growth in the days to come. Since RBI is of the view that upside risks to inflationary trends still remain, we would continue to formulate our growth strategies in the current year dynamically, keeping in view prevailing economic scenario. However, we will be on track for our ambitious goal for our Centenary Year.

The bank has already set the goals for the current fiscal and as in the past the bank would also be undertaking periodic review of the progress. Strategically the focus would continue to be on the Retail Banking, viz., CASA growth, lending to Housing sector, MSME and Agriculture, along with fee based income, reduction of NPAs and arresting fresh slippages to NPAs. We would also strive to maintain NIM steady and further improve the return on assets.

We are paying attention to improve the in-branch experience of the customers and are in the process of putting in place a robust branch operating model capable of supporting the growing volumes of business. This would be supported by various IT initiatives that are aimed at enhancing customer convenience and operational efficiency.

In FY 2013, various awards and recognitions have been conferred on our Bank as in the past. These include awards by Bloomberg-UTV as Best Private Sector Bank, by CNBC TV 18 for Consistent performance in growth and profits under the Small Banks Category, 2012, Business World – Price Waterhouse Coopers Awards, 2012 for Best Small bank, IDRBT Banking Technology Best Bank Awards 2012 for IT Implementation and Management among small banks & Managing IT Risks among small banks, Institute of Public Enterprise, Hyderabad for Best Employer Brand, IPE Corporate Excellence Awards and Financial Express – Best Old Private Sector Bank, 2012 (runner up)

We have committed ourselves to bring in to our Bank, the best standards in the industry and have been constantly taking various initiatives to attain the set goal. I take this opportunity to place on record our sincere gratitude for your valuable support in this regard. As we step into our 98th year of operations, we hope to achieve dynamic growth with well diversified business and look forward to reaching greater heights in line with our Centenary year goals.

**K Venkataraman**  
May 24, 2013



◀ “Consistent performance in growth and profits under the Small Banks Category” - CNBC TV 18, 2012

“Best Bank for IT Implementation and Management among small banks and managing IT Risks among small banks”  
- IDRBT Banking Technology Best Bank Award, 2012



◀ “Best Employer Brand” & “IPE Corporate Excellence Award (CEO’s) Banking and Finance” - Institute of Public Enterprise, 2012





93<sup>rd</sup> ANNUAL GENERAL MEETING





## FOUNDERS' DAY CELEBRATION – VIJAYAWADA



Address by His Excellency Shri E S L Narasimhan, Governor of Andhra Pradesh





## DIRECTORS' REPORT

### Dear Shareholders,

Your Directors are pleased to present the 94th Annual Report and the audited accounts for the financial year ended March 31, 2013.

### Financial Performance

The financial performance for the year under review are presented below:

Particulars	31.03.2013 (₹ In Cr)	31.03.2012 (₹ In Cr)
Gross Deposits	38652.98	32111.59
Gross Advances	29705.89	24205.11
Total Income	4694.99	3620.52
Total Expenditure	3846.16	2894.81
Operating Profit	848.83	725.71
Net Profit	550.32	501.72
<b>Appropriations: Transfer to</b>		
Statutory Reserve	165.00	150.50
Capital Reserve	16.52	3.14
General Reserve	123.00	156.80
Special Reserve	50.00	35.00
Investment Reserve	21.00	—
Proposed Dividend	150.05	150.05
Dividend Tax	25.50	24.34

The aggregate business of the Bank reached ₹ 68359 Cr as at 31st March 2013 showing an increase of 21.38% on a year-on-year basis (y-o-y).

### Deposits

Deposits grew by 20.37% from ₹ 32111.59 Cr in FY 12 to ₹ 38652.98 Cr in FY 13. The growth recorded by your bank was higher than the 14.3% growth in deposits recorded in the banking system during the fiscal under report.

CASA deposits grew at 20.93% and stood at ₹ 7439.15 Cr as at the end of 31.03.2013 as against ₹ 6151.58 Cr as on 31.03.2012. Term deposits were at ₹ 31213.83 Cr as against ₹ 25960.01 Cr as at the end of the previous fiscal 2011-12, recording a growth of 20.24%.

Deposit growth in the banking system has slowed in the recent years largely due to households looking at investments in alternate assets such as gold, equities, real estate etc expecting higher and inflation adjusted returns.

### Credit portfolio

The gross advances of your bank were at ₹ 29705.89 Cr as at the end of the fiscal 2012-13 as against ₹ 24205.11 Cr in the previous fiscal 2011-12 recording a growth of 22.73% during the year under report when compared to 14.1% growth seen in the banking system for 2012-13.

Priority sector advances of your bank surged from ₹ 7526.92 Cr as at the end of March 2012 to ₹ 10196.40 Cr as at the end of March 2013 and formed 42.04% of the Adjusted Net Bank Credit (ANBC) against the mandated target of 40%.

The total agricultural advances of your bank recorded a growth of 34.33% over the previous year and rose to ₹ 5194.32 Cr as at end-March 2013. Your Bank's agricultural advances formed 21.42% of ANBC as at the end-March 2013 against the mandated target of 18%. Also the advances made to weaker sections were at 11.24% against the regulatory requirement of 10%.

Average Credit Deposit Ratio of the Bank during the fiscal was 75.48%.

### Recovery

Your Bank has put in place strong systems for resolution and recovery of non-performing loans besides strengthening its due diligence, credit appraisal and post-sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs. Your Bank continues to apply a multi pronged strategy for better NPA management viz: Preventive actions, Recovery, upgradation, resolution and settlement, initiation of legal proceedings including under SARFAESI, besides sale of assets.

As a result of concerted action the Gross NPAs have declined from ₹ 320.99 Cr (1.33%) as at 31.03.2012 to ₹ 285.86 Cr (0.96%) as at the end of 31.03.2013. The Net NPAs which were at ₹ 78.78 Cr (0.33%) during FY 12 have risen marginally to ₹ 108.74 Cr (0.37%). Your Bank has a provision coverage ratio of 75.20% as at 31.03.2013.

### Share Capital

The paid up capital of the Bank stood at ₹ 107.18 Cr as at 31st March 2013. During the year under report, the Bank made an allotment of 700 shares which was kept under abeyance category.

Your Bank's net owned funds as at 31st March 2013 was ₹ 3085.19 Cr comprising paid up equity capital of ₹ 107.18 Cr and reserves of ₹ 2978.01 Cr.

## DIRECTORS' REPORT

Your Bank's Capital Adequacy Ratio (CAR) was comfortable at 14.41% under Basel II as on 31.03.2013. The Bank has been maintaining a higher Capital Adequacy Ratio consistently over and above the regulatory prescription of 9%.

The market capitalization of your shares as at the end of fiscal 2012-13 was ₹ 4827.43 Cr. In terms of market capitalization, your Bank was at 187th rank in the country.

### Employee Stock Options Scheme

Out of the 10 lakh Stock options available under KVBESOS 2008, 9,78,454 options were granted, exercised and allotted earlier. 21,546 options which were remaining under the said Scheme were granted to the employees on 01.03.2013.

Your Bank has framed KVBESOS 2011 pursuant to the 40 lakh options approved by the shareholders in the Annual General Meeting held on 27.07.2011. Out of the said 40 lakh options, 14,71,656 lakh options were granted on 01.03.2013.

Particulars pursuant to Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed to this report and form part of this report.

### Credit Rating

CRISIL has re-affirmed A1+ rating (pronounced "CRISIL- A one plus") for ₹ 20 billion Certificate of Deposits programme of your Bank. ICRA Limited has confirmed ICRA A1+ (pronounced "ICRA-A one plus") rating to the Bank's Certificate of Deposits Programme for ₹ 2000 Cr.

Both the ratings indicate a very strong degree of safety regarding timely payment of financial obligations.

### Dividend

In spite of the tough economic environment, keeping in tune with the good financial performance of the Bank, your Directors are pleased to recommend a dividend of ₹ 14/- per equity share of face value of ₹ 10/- each for the year ended 31.03.2013, amounting to ₹ 175.55 Cr (inclusive of tax of ₹ 25.50 Cr). The dividend will be paid to the members whose names appear in the Register of Members as on 19.07.2013; in respect of shares held in dematerialised form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners.

It may be noted that it is now for a decade (since 2003-04), that your bank has been paying 100% or more to its shareholders.

The dividend payout for the year under review has been formulated in accordance with the Bank's policy to pay sustainable dividend linked to long term growth objectives of the Bank to be met by internal accruals and to meet the shareholders' aspirations.

### Investments

The gross domestic investments of your Bank stood at ₹ 13868.85 Cr as at 31.03.2013 as against ₹ 10581.27 Cr as on 31.03.2012, thus recording an increase of 31.07% during the fiscal 2012-13. Net investments registered an increase of ₹ 3331.16 Cr during the year to reach ₹ 13837.26 Cr as at the end of the fiscal 31.03.2013 from ₹ 10506.10 Cr as at 31.03.2012.

Income on investments stood at ₹ 950.35 Cr as at 31.03.2013, registering a rise of ₹ 234.11 Cr (32.68%) when compared to the previous fiscal income of ₹ 716.24 Cr. The profit on sale of investments was at ₹ 88.34 Cr for the fiscal 2012-13 as against ₹ 26.20 Cr recorded in the previous fiscal 2011-12.

The average yield on investments improved to 7.67% during the year under report over the previous fiscal of 7.49%. Liquidity position of the Bank was comfortable throughout the year.

### Forex Transactions

The merchant turnover of the Bank was up by 8.36% during the fiscal 2012-13 to reach ₹ 10109 Cr as against ₹ 9329 Cr during the previous fiscal 2011-12. The Bank has earned a profit on exchange of ₹ 23.16 Cr and other income (commission and others) of ₹ 31.35 Cr during the fiscal 2012-13.

### Branch Net work

During the year 2012-13, for the first time in the history of your bank, 100 new branches were opened across India, taking the number of branches from 451 to 551.

In terms of the mix of the branches, the branch net work is fairly spread across all the population groups with Metro 16 %, Urban 26%, Semi-Urban 40% and Rural 18%.

### Delivery Channels

#### ATMs

Your Bank operationalised 465 ATMs across the country during the FY 13. Of the 465 ATMs, 124 are on-site and 341 are offsite. The total ATM population of your bank comes to 1277 as at the end of the fiscal 2012-13.