

71st ANNUAL REPORT



The Lakshmi Vilas Bank Ltd

1997-98

BOARD OF DIRECTORS



K.R. Shenoy
Chairman



M.M. Lakshminarasimhan



Athi R. Venkataraman



R. Mohan



S.L. Sivashanmugam



C. Krishnakumar



N. Malayalamamirtham



T. Srinivasulu



S.G. Prabhakaran

The Lakshmi Vilas Bank Ltd.

BOARD OF DIRECTORS

Sri K.R. Shenoy Chairman
 Sri M.M. Lakshminarasimhan
 Sri Athi R. Venkataraman
 Sri R. Mohan
 Sri S.L. Sivashanmugam
 Sri C. Krishnakumar
 Sri N. Malayala Ramamirtham
 Sri T. Srinivasulu
 Sri S.G. Prabhakaran
 Sri Rajeswar Rao (RBI Nominee)

GENERAL MANAGERS

Sri R. Muniswamy
 Sri K. M. Subramanian (o)

DEPUTY GENERAL MANAGERS

Sri C. S. Ramani
 Sri N. Ramalingam
 Sri N. Giridharan

ASSISTANT GENERAL MANAGERS

Sri K. Gurusamy
 Sri R. Sathyanarayanan
 Sri R. Sridharan
 Sri M. R. Subramanian
 Sri S. Ravishankar
 Sri M. Manoharan
 Sri B. Kalyanavenkataraman (o)
 Sri M. Rajamanickam (o)
 Sri S. Manoharan (o)

COMPANY SECRETARY

Sri S. Venkateswaran

LEGAL ADVISOR

Sri K. N. Shrinivasan, Srirangam

AUDITORS

M. Manivannan Associates
 Chartered Accountants, Chennai
 B. Ramesh & Associates
 Chartered Accountants, Chennai

REGISTERED & ADMN. OFFICE

Salem Road, Kathapara, Karur 639 006
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DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 71st Annual Report on the operations of the Bank together with the Audited statement of accounts and the Auditors' Report for the financial year ended March 31, 1998.

PROFIT, EFFICIENCY AND CAPITAL ADEQUACY

The Bank posted a higher net profit of Rs.21.59 Crores for the year ended 1997-98 against Rs.18.70 Crores achieved during 1996-97 registering an increase of 15.40 % . The earning per share (EPS) improved from Rs.16.28 to Rs.18.76 and Book value per share from Rs. 67.26 to Rs. 82.61 , Income per employee rose from Rs. 0.86 lac to Rs.0.96 lac and operating expenses to total income ratio declined from 26.60 % to 25.63 %

The Bank maintained a capital adequacy ratio of 10.35% as at the end of March 1998, well above the stipulated 8% .

During this year, the appropriations to various reserves out of profit being -

NET PROFIT

ADD Excess Provision
for Dividend written Back

Profit Brought Forward

Rs. 21.59 Crores

Rs. 00.58 Crores

Rs. 00.14 Crores

Rs. 22.31 Crores

APPROPRIATIONS

Transfer to Statutory Reserves

Transfer to Capital Reserves

Transfer to Other Reserves

Proposed Dividend

Balance carried over to

Balance Sheet

Rs. 11.58 Crores

Rs. 2.91 Crores

Rs. 3.00 Crores

Rs. 4.60 Crores

Rs. 0.22 Crores

Rs. 22.31 Crores

DIVIDEND

Your Directors have pleasure in recommending a dividend of 40% subject to the approval of RBI.

DEPOSIT GROWTH

The deposits of the Bank recorded a growth of 25 % and stood at Rs. 1418.92 Crores at March end 1998.

LENDING OPERATIONS

The Bank's Credit portfolio net of provisions increased to Rs.757.90 Crores representing a growth of 24 % .

Deployment to Agriculture and allied activities stood at Rs.115.12 crores, to SSI sector at Rs. 96.41 crores and others at Rs. 66.41 crores during the period under review.

The Bank has achieved a total priority sector deployment of 40.41 %.

The Non-Performing assets, net of provision, constitute 6.07% as against 4.82% in the previous year. This has been a common phenomenon for many banks who have an exposure to the Corporate sector, which has been under tremendous strain during the last couple of years. Concerted efforts are being made to bring down the level of NPAs.

TREASURY OPERATIONS

The Bank's Investments in Government and Approved Trustee Securities and debentures and bonds of corporates and PSUs increased to Rs.494.06 Crores. 80% of approved securities, have been classified under the 'Current ' category which are marked to 'Market' as against the stipulated minimum of 60 % in the 'Current' category for the year ended March 1998.

FOREX OPERATIONS

The foreign exchange turnover of the Bank in terms of exports, imports and remittances amounted to Rs. 508.50 Crores registering a growth of 36 % .

INFRASTRUCTURE AND INFORMATION TECHNOLOGY

The Bank continued to stress on widening its technology base extensively to remain customer friendly and operationally efficient.

Your Bank has made considerable investments in shifting the Branches to the vantage locations, refurbishing the existing premises and providing computer hardware and software. Total number of computerised branches rose to 70 from 32 at the beginning of the year and these branches account for 55.18% of total business of the Bank.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year; the year ending with a successful interface between the top management of the bank and representatives of Officers' Association and Employees' Union, mutually sharing the concern about the challenges facing the Bank and the need for mutual understanding and co-operation.

Your Bank is the first bank in the country amongst the private sector banks to disburse the regular pension through LIC route.

HUMAN RESOURCES

Human resources development continues to be the core organisational objective of the bank. Computer programmes,

The Lakshmi Vilas Bank Ltd.

Functional programmes, Role-based programmes etc., conducted during the year served as a vehicle for communicating and disseminating information about the restructuring process and improving staff awareness.

CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, FOREIGN EXCHANGE EARNING AND OUTGO

Your Company, being a banking company, has not consumed energy of any significant level. No comment is made on technology absorption considering the nature of activity. Your company being a banking company and authorised dealer in foreign exchange business has been taking all possible steps to augment the export credit.

COMMUNITY DEVELOPMENT

The Bank is fully conscious of its social obligation and in furtherance wanted to find solution to the vexing problem of environmental pollution in Karur due to the presence of a large numbers of dyeing units in and around the city. The Bank made a humble beginning by bringing pollution control authorities, owners of dyeing units, pollution treatment experts and pollution treatment equipment manufacturers under single umbrella for mutually beneficial interaction. The Bank's efforts was acclaimed by enthusiastic response of the constituents.

DIRECTORS

Sri. K.R.Chandrasekaran, Sri. N.Saiprasad, Sri.Kusuma R Muniraju and Sri. T.S.Dhanapalan have resigned from the Board.

The Directors place on record their appreciation of the valuable services rendered during their tenure as director on the Board of the Bank.

Sri. C.Krishnakumar Sri. N.Malayala Ramamirtham, Sri.T.Srinivasulu and Sri.S.G.Prabhakaran were co-opted as additional directors on the Board.

The Board welcomes the new directors and seeks their active support and co-operation.

Sri. R.Mohan retires by rotation at this Annual General Meeting and being eligible, offers himself for reappointment as director.

PARTICULARS OF EMPLOYEES

A statement containing the particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the rules framed thereunder is annexed to the Report.

AUDITORS

The Statutory auditors M/s.M.Manivannan Associates and M/s.B.Ramesh and Associates, Chennai are to retire at this Annual General Meeting and being eligible, offers themselves for reappointment.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation and gratitude for the sustained support received from the shareholders, customers, financial institutions and correspondents abroad.

The Directors record the warm appreciation and devoted services rendered by all staff members.

The Directors take this opportunity to thank the Reserve Bank of India for their guidance and counsel.

Your Bank is marching towards Platinum Jubilee which will be celebrated in a befitting manner at the dawn of new millennium, in the year 2001.

By order of the Board

PLACE: KARUR

K.R.SHENOY

DATE:24.06.98.

Chairman

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended March 31, 1998.

Sl. No.	Name	Age	Designation/ Nature of duties	Gross Income Rs.	Qualification	Experience	Employment Date	Previous Employment
1.	K.R. Shenoy	55	Chairman & Chief Executive Officer	3,84,133	M.Sc. (Stat)	33	21.8.97	Executive Director Corporation Bank, Mangalore
2.	G.V.Rao	59	Chairman & Chief Executive Officer	7,08,802	B.Sc. LL.B., F.C.A.	32	12.8.92	Managing Director Can Fin Homes Ltd. Bangalore

Note : Gross remuneration shown above is subject to Tax and comprises of Salary, Allowance, Bonus, Perquisites and Bank's contribution to Provident Fund.

AUDITORS' REPORT

B. RAMESH & ASSOCIATES

Chartered Accountants
CHENNAI

M. MANIVANNAN ASSOCIATES

Chartered Accountants
CHENNAI

1. We have audited the attached Balance Sheet of THE LAKSHMI VILAS BANK LIMITED, KARUR as at 31st March 1998 and the annexed Profit & Loss Account of the Bank for the year ended on that date, in which are incorporated the returns of 42 branches, 4 service branches and 5 controlling offices audited by us and 146 branches, 2 service branches and 3 controlling offices audited by branch auditors appointed u/s 228(4) of the Companies Act, 1956.
2. The Balance Sheet and Profit & Loss Account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with section 211 of the Companies Act, 1956.
3. The report on the accounts of branches audited by the branch auditors have been dealt with in the manner considered necessary by us in our report.
On the basis of the audit indicated in paragraph 1 above and subject to:
 - i) The effect of adjustments arising from reconciliation of various accounts/balances in inter-branch reconciliation and subsidiary ledgers as indicated in Note 1.

We report that :-

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
- b) The transactions of the Bank which have come to our notice have been, in our opinion, within the powers of the Bank.
- c) In our opinion, proper books of accounts as required by law have been kept by the Bank in so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches.
- d) The Bank's Balance Sheet and Profit & Loss Account are in agreement with the books of accounts and returns.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon and principal accounting policies give the information required by the Companies Act, 1956 in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st March 1998 and the Profit & Loss Account gives a true and fair view of the Profit for the year ended on that date.

for B. RAMESH & ASSOCIATES

Chartered Accountants
(B. RAMESH)
Partner

for M. MANIVANNAN ASSOCIATES

Chartered Accountants
(P. SATHYANARAYANA)
Partner

The Lakshmi Vilas Bank Ltd.

BALANCE SHEET AS ON 31st MARCH 1998

(Rs.000 omitted)

	Schedule	Year ended 31/03/1998	Year ended 31/03/1997
CAPITAL & LIABILITIES			
Capital	1	115086	114877
Reserves & Surplus	2	836120	660036
Deposits	3	14189252	11325099
Borrowings	4	483845	550202
Other Liabilities & Provisions	5	852979	734495
TOTAL		16477282	13384709
ASSETS			
Cash & Balance with Reserve Bank of India	6	1767515	1148156
Balance with Banks and Money at Call and Short Notice	7	1369956	697903
Investments	8	4940611	4698777
Advances	9	7579092	6083849
Fixed Assets	10	282715	306041
Other Assets	11	537393	449983
TOTAL		16477282	13384709
Contingent Liabilities	12	4146051	2795553
Bills for collection		737046	590410

The Schedules referred to above form an integral part of Balance Sheet.

As per our Report of date annexed

For B. Ramesh & Associates
Chartered Accountants

B. Ramesh
Partner

For M. Manivannan Associates
Chartered Accountants

P. Sathyanarayana
Partner

R. Sridharan
Asst. General Manager
K.M. Subramanian
General Manager (o)

R. Muniswamy
General Manager
K.R. Shenoy
Chairman

DIRECTORS

M.M. Lakshminarasimhan
Athi R. Venkataraman
R. Mohan
S.L. Sivashanmugam
C. Krishnakumar
N. Malayala Ramamirtham
Kusuma R. Muniraju
T.S. Dhanapalan
RBI Nominee
Rajeswar Rao

PLACE : KARUR
DATE : JUNE 23, 1998