



LAKSHMI VILAS BANK

85th ANNUAL REPORT 2011-2012



RuPay Card



Prepaid Card



17 New
Branches added
in 2011 - 2012



300+ ATMs added
in 2011 - 2012



Fund transfer
(IMPS) on our ATMs



E-Tax remittance available
at Branches/Online



Enjoy hassle-free &
convenient banking

**When proud tradition is redefined through latest technology,
trust and commitment endures.**

BOARD OF DIRECTORS



Shri P.R. SOMASUNDARAM
Managing Director & CEO



Shri N. SAIPRASAD



Shri K. RAVINDRAKUMAR



Shri KUSUMA R MUNIRAJU



Shri D.L.N. RAO



Shri B.K. MANJUNATH



Shri K.R. PRADEEP



Shri S.G. PRABHAKHARAN



Shri S. DATTATHREYAN



Shri R. SHARAN



Shri A. SATISH KUMAR

**BOARD OF DIRECTORS****Sarvashree**

P.R. Somasundaram - Managing Director & CEO

N. Saiprasad

K. Ravindrakumar

Kusuma R Muniraju

D.L.N. Rao

B.K. Manjunath

K.R. Pradeep

S.G. Prabhakaran

S. Dattathreya

R.Sharan (From 30.05.2012)

A.Satish Kumar (From 30.05.2012)

EXECUTIVE DIRECTOR

K.S.R. Anjaneyulu

CHIEF FINANCIAL OFFICER

M. Palaniappan

GENERAL MANAGERS

S.R. Narayanamurthy

S. Ravishankar

S. Suresh Babu

Raghu Nagarajan

COMPANY SECRETARY

N. Ramanathan

REGD. & ADMN. OFFICE

Salem Road, Kathapalai, Karur-639 006, Tamilnadu

Phone: 04324-220051 to 220060 (10 lines)

Website: www.lvbank.com

E.Mail: secretarial@lvbank.in

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AUDITORS

M/s. Sagar & Associates,
Chartered Accountants,
Hyderabad.

REGISTRAR AND SHARE TRANSFER AGENT

M/s. Integrated Enterprises (I) Limited

II Floor, "Kences Towers",

No.1, Ramakrishna Street,

North Usman Road, T.Nagar,

Chennai - 600 017.

Phone: 044-28140801/2/3 Fax: 28142479

Email: corpserv@integratedindia.in



NOTICE TO THE MEMBERS

Notice is hereby given that the 85th Annual General Meeting of The Lakshmi Vilas Bank Ltd will be held at Regd. & Admn. Office, Salem Road, Kathapara, Karur-639 006 on 14th September 2012 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2012 and the Profit and Loss Account for the year ended 31st March 2012 and the Report of the Directors and the Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. S. G. Prabhakaran who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. S. Dattathreya who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. K. Ravindrakumar who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors and if thought fit to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

"Resolved that M/s.Sagar & Associates, Chartered Accountants, Hyderabad be and is hereby re-appointed as Statutory Auditors of the Bank to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting, subject to approval of RBI on such remuneration and reimbursement of out-of-pocket expenses, if any, as may be fixed by the Board of Directors on the recommendation of the Audit Committee of the Board."

SPECIAL BUSINESS

7. 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, if any in connection with the Audit, based on the recommendation of the Audit Committee of the Board."
8. 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 be and is hereby authorized to apply to the Central Government under the Companies (Branch Audit Exemption) Rules, 1961 for exemption from audit of the accounts for the year ending 31.03.2013 of such branch offices of the Bank and in the event of such exemption being not granted in respect of any such branch offices, then the Board of Directors be and is hereby authorized to arrange for audit of such branches as are not exempted."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

Resolved that Mr.R.Sharan who was appointed as an Additional Director of the Bank with effect from 30.05.2012 pursuant to the provisions of Article 17(b) of the Bank and Section 260 of the Companies Act, 1956 and holds office up to the date of 85th Annual General Meeting and in respect of whom the Bank has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director in terms of Article 17(c) of the Articles of Association of the Bank, be and is hereby appointed as a director of the bank, liable to retire by rotation.



10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

Resolved that Mr. A.Satish Kumar who was appointed as an Additional Director of the Bank with effect from 30.05.2012 pursuant to the provisions of Article 17(b) of the Bank and Section 260 of the Companies Act, 1956 and holds office up to the date of 85th Annual General Meeting and in respect of whom the Bank has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of director in terms of Article 17(c) of the Articles of Association of the Bank, be and is hereby appointed as a director of the bank, liable to retire by rotation.

BY ORDER OF THE BOARD

Place : Chennai
Date : 31.07.2012

N. RAMANATHAN
Company Secretary

Notes:

1. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, pertaining to the special business contained in Item No.7 to 10 above is annexed herewith.
2. The Additional information pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchange in respect of the Directors seeking re-election vide Item No.3, 4 & 5 are detailed in the Explanatory Statement.
3. All documents referred to in Notice are open for inspection at the Registered Office of the Bank on all working days between 11.00 a.m. to 01.00 p.m. upto the date of the Annual General Meeting.
4. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE BANK. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE BANK NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
5. The Register of members and the Share Transfer Books of the Bank will remain closed from **06.09.2012 to 14.09.2012 (both days inclusive)**.
6. Dividend, if declared, will be paid to those members holding physical shares whose names stand on the Register of Members of the Bank as on **14.09.2012** and in case of dematerialized shareholders, to those Beneficial owners whose names stand on the records of the Depositories as at the close of working hours on **05.09.2012**, subject to the provisions of Section 206 A of the Companies Act, 1956.
7. In compliance of SEBI direction to all listed companies to maintain all works relating to share registry – both physical and electronic at single point i.e. either in house or by SEBI Registered “Registrar & Transfer Agent (RTA)”, Bank had appointed M/s Integrated Enterprises (India) Limited, Chennai-600 017 as Share Transfer Agent for both physical and demat segments with effect from 30.01.2003.

Address of Share Transfer Agent :

M/s Integrated Enterprises (India) Limited
II Floor, “Kences Towers” No.1 Ramakrishna Street
North Usman Road, T.Nagar, Chennai – 600 017
Ph: 044-28140801/2/3 Fax: 28142479/28143378
Email: corpserve@integratedindia.in

8. Members are requested to notify any change in their address immediately to Share Transfer Agent and in case their shares are held in demat form; this information should be sent to the concerned Depository Participant.
9. With a view to provide protection against fraudulent encashment of dividend warrants, members holding shares in physical form are requested to provide, if not already provided earlier, their bank account numbers, name and address of the bank and branch, to Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, Chennai-600 017 to incorporate the said details on the dividend warrants. Members will appreciate that the bank will not be responsible for any loss arising out of fraudulent encashment of the dividend warrants.

**10. Unclaimed Dividends / Refunds (Rights Issue)**

- a) Shareholders and Beneficial owners who have not so far encashed/claimed the dividends for the last 7 years i.e. from 2004-05 to 2010-2011 and also Rights Issue Refund amount for the year 2005, 2006 & 2009 have to submit the dividend warrant(s) or refund order(s) if any available with them for revalidation to the Registrar & Share Transfer Agent, M/s. Integrated Enterprises (India) Ltd, II Floor, "Kences Towers", No. 1 Ramakrishna Street, North Usman Road, T. Nagar, Chennai – 600 017. Shareholders who have lost the dividend warrants/ refund order are advised to execute the indemnity bond and send to the Registrar. However no dividend was declared for the year 2004-2005 and hence no transfer of unclaimed dividend for the period 2004-2005 to Investor Education and Protection Fund.
- b) In terms of the Section 205C of the Companies (Amendment) Act, 1999 the dividend / refunds 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 dividend(s)/ refund(s) are transferred to such fund.

11. None of the items listed in the Agenda require Postal Ballot.

12. Investors are required to provide a copy of their PAN card for effecting share transfers, transmission & transposition in their favour.

13. Green Initiatives in Corporate Governance - Shareholders are requested to update the e-mail id with your DP who is holding shares in electronic form on your behalf. In case holding shares in physical form kindly write a letter mentioning your email id to our Registrar & Transfer Agent, M/s. Integrated Enterprises (India) Ltd., Chennai in order to enable us to send the notice, Audited Financial Statements, Directors' Report, Auditors' Report etc., electronically in future.

Additional information pursuant to Clause 49 of the listing agreement with National Stock Exchange Limited, Mumbai in respect of the Directors seeking re-election.

Item No. 3

Mr. S.G. Prabhakaran, B.Com, BL, ACS represents Law – Minority Sector as per Section 10A (2) (a) of Banking Regulation Act, 1949. He was instrumental in setting up the first Private Sector Mutual Fund in collaboration with Pioneer Mutual Fund, Boston, USA in 1993. He is a realtor having had sterling practice in Law from 1978 to 1994 and widely travelled. He is classified as a Non-Independent, Non- Executive Director in compliance of Clause 49 of Listing Agreement. He holds 2002 Equity Shares of the bank.

He has served as a Director of your Bank during the period 1998 to 2006.

None of the Directors except Mr.S.G.Prabhakaran is concerned or interested in this resolution.

Item No. 4

Mr. S. Dattathreya, BE – Mechanical Engineer represents – Minority Sector as per Section 10A (2) (a) of Banking Regulation Act, 1949. He has more than 26 years of experience in business. He is classified as an Independent, Non-Executive Director in compliance of Clause 49 of Listing Agreement. He holds 80,076 Equity Shares of the Bank.

He has served the Board earlier during the period from 05.03.1992 to 23.04.1994.

None of the Directors except Mr. S. Dattathreya is concerned or interested in this resolution.

Item No. 5

Mr. K. Ravindrakumar , M.Com represents – Minority Sector as per Section 10A (2) (a) of Banking Regulation Act, 1949. He is a partner in a leading Jewellery firm based at Karur with more than 25 years of experience as Jeweler. He is classified as an Non- Independent, Non-Executive Director in compliance of Clause 49 of Listing Agreement. He holds 40,007 Equity Shares of the Bank.

None of the Directors except Mr.K.Ravindrakumar is concerned or interested in this resolution.

**Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.****Item No. 7**

In terms of 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 based on the recommendations of the Audit Committee of the Board.

None of the Directors is interested in this resolution.

Item No. 8

The passing of this resolution is necessary in order to meet the requirement of Section 228(1) of the Companies Act, 1956, under which the accounts of every branch office is required to be audited either by Bank's auditors or by a person qualified to act as Auditors.

The Bank has made satisfactory arrangement for their inspection by responsible and competent officers of the bank.

This resolution is proposed to enable the Directors to seek exemption of such of the branches as are not to be audited.

None of the Directors is interested in this resolution.

Item No. 9

Mr. R. Sharan was appointed as an additional director with effect from 30.05.2012 pursuant to Section 260 of the Companies Act, 1956 and Article 17(b) and shall hold office only up to the date of the next Annual General Meeting of the bank. He is an Indian Revenue Service (IRS) Retd person who held the post of Chief Commissioner and Director General (Investigation) in Ministry of Finance and retired in July 2007. He was re-employed by the Govt. of India as Member (Income Tax Settlement Commission) and super-annuated at the age of 62 years. Presently he is indulged in agricultural activities besides running his own consultancy Firm. In terms of Section 257 of the Companies Act 1956, the bank has received a notice from a member proposing the candidature of Mr. R. Sharan for the Office of director of the bank along with prescribed deposit. He holds 160 Equity Shares of the Bank.

None of the directors except Mr. R. Sharan is concerned or interested in this resolution.

Item No. 10

Mr. A. Satish Kumar was appointed as an additional director with effect from 30.05.2012 pursuant to Section 260 of the Companies Act, 1956 and Article 17(b) and shall hold office only up to the date of the next Annual General Meeting of the bank. He is an alumni of IIM, Ahmedabad and completed Senior Executive Programme from Columbia University and INSEAD (Henkel Executive Programme). He is having an experience of more than 25 years in Industrial and Commercial affairs by holding various positions in major Industrial Houses in India. In terms of Section 257 of the Companies Act 1956, the bank has received a notice from a member proposing the candidature of Mr. A. Satish Kumar for the Office of director of the bank along with prescribed deposit. He holds 100 Equity Shares of the Bank.

None of the directors except Mr. A. Satish Kumar is concerned or interested in this resolution.

BY ORDER OF THE BOARD

Place : Chennai
Date : 31.07.2012

N. RAMANATHAN
Company Secretary

**DIRECTORS' 85th ANNUAL REPORT****TO
THE MEMBERS**

The Directors of your Bank have great pleasure in presenting this 85th Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2012 (FY 2011-2012).

1. FINANCIAL PERFORMANCE

The highlights of the financial performance of your Bank for the year ended 31st March, 2012 are as under:

	(₹ in crores) For the year ended	
	31st March 2012	31 st March 2011
Total Deposits	14,114.14	11,149.51
Total Advances	10,188.68	8,094.42
Investments	4,395.12	3,518.85
Total Income	1,677.18	1,201.85
Operating profit	235.44	273.86
Provisions and contingencies	128.42	172.72
Net Profit	107.02	101.14

Your bank continued to register good growth in business, comparing very favourably in many respects with the industry. The Bank achieved total business of ₹ 24302.82 Crores in FY 2011-2012 a growth of 26% over ₹ 19243.96 Crores in FY 2010-2011.

Deposits grew 27%, from ₹ 11149.51 Crores as at 31st March 2011 to ₹ 14114.14 Crores as at 31st March 2012, and total advances expanded by 26%, from ₹ 8094.42 Crores to ₹ 10188.68 Crores in FY 2011-2012. Of this, lending to priority sector rose from ₹ 2635.22 Crores in the previous year to ₹ 3525.03 Crores as on 31st March 2012. Agricultural advances increased to ₹ 2099.42 Crores from ₹ 1199.35 Crores and advances to weaker section recorded a significant growth from ₹ 736.02 Crores to ₹ 1020.63 Crores.

The Bank's exposures to sensitive sectors including Real Estate and Capital Market were maintained well below the regulatory limits.

As at the end of the year under review, the total investments of the Bank stood at ₹ 4395.12 Cr as against ₹ 3518.85 Cr as on 31st March 2011.

Your Bank's Treasury continues to focus on sound Asset-Liability Management and on servicing clients with appropriate treasury products, market risk was managed well in a systematic way in a challenging year when interest rates were constantly rising.

2. PROFIT

The Bank posted an operating profit of ₹ 235.44 Crores in FY 2011-2012 against ₹ 273.86 Crores in the previous year FY 2010-2011. The net profit for the year, after provisions and taxes, rose to ₹ 107.02 Crores as against ₹ 101.14 Crores recorded in 2010-2011 registering a growth of 6%. This is the second consecutive year when the bank's profit grew above ₹ 100 Cr, after continuing investments in I.T, Staff and Infrastructure. Several branches were refurbished, new products launched with improved I.T capabilities and staff hiring continued, all of which will address fundamental issues of productivity and competitiveness in the ensuing years.

**3. APPROPRIATIONS**

Particulars	(₹ in Crores) For the year ended	
	31.03.2012	31.03.2011
Profit brought forward	0.25	0.16
Amount available for appropriation	107.37	101.30
Transfer to:		
Statutory Reserve	28.00	26.00
Capital Reserve	0.85	1.27
Other Reserve	32.25	40.25
Transfer to Special Reserve U/s 36(1) (viii) of the IT Act, 1961.	6.50	5.00
Proposed Dividend	34.14	24.38
Corporate Dividend Tax	5.54	4.15
Balance of Profit carried forward	0.09	0.25

4. DIVIDEND

Your Board of Directors are pleased to recommend a dividend of ₹ 3.50 (35%) per share for the year ended 31st March, 2012 as against ₹ 2.50 (25%) per share for previous year ended 31st March, 2011. The total out go in the form of dividend, including taxes, amount to ₹ 39.68 Crores against ₹ 28.53 Cr in the previous year.

5. EPS / BOOK VALUE

Earnings Per Share was sustained at ₹ 10.97 for the year ended 31st March, 2012 against ₹ 10.37 for the previous year.

Book Value of the share, after reckoning payment of dividend, grew to ₹ 88.43 as on 31st March, 2012 as compared to ₹ 82.38 as on 31st March, 2011.

6. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

Net Owned Funds (NOF) of the Bank increased from ₹ 811.70 Crores as at the end of FY 2010-2011 to ₹ 879.14. Crores as at the end of FY 2011-2012, reflecting a growth of 8.31%.

The Capital Adequacy Ratio (CAR) as on 31st March 2012 is 13.10%. The bank has been consistently maintaining Capital Adequacy Ratio well above the regulatory minimum of 9% stipulated by the Reserve Bank of India.

The Tier-I and Tier-II components of Capital Adequacy Ratio were comfortable at 8.86% and 4.24% respectively, against 10.78% and 2.41% respectively as at 31st March 2011. The increase in Tier II bank follows new issuance of subordinated debt of ₹ 250 Cores in February 2012.

7. NON PERFORMING ASSETS (NPA's)

Your bank continues to address the NPA problem through a combination of process improvement, technology solutions for early alerts and strict credit delivery. During FY 2011-12, macro-economic conditions affected some of our old clients with resultant stress on NPAs, but the bank is supporting customers where the issues are temporary and not structural, and is confident that the level of NPAs will come down significantly no sooner the market conditions revive. There have been no concentration issues either and stress has been fairly dispersed. Some of our exposure in infrastructure, textile and real estate sector got affected during the year under review. Consequently, our bank Gross & Net NPA increased to



2.98% & 1.74% as on 31st March 2012 as against 1.93% & 0.90% as on 31st March 2011, strong recovery efforts have also yielded ₹ 133.03 Crores during the year.

The bank has already initiated remedial measures to improve the performance during FY 2012-13 to arrest slippages and improve recovery, and is confident that the systemic changes initiated by the Board will ensure repeat of the success of the previous year with a much stronger portfolio at the end of FY 2013.

8. BRANCH AND ATM NETWORK

The bank has a network of 290 branches, 1 satellite branch and 10 extension counters, spread over 15 states and the union territory of Pondicherry. The Bank's focus is on ensuring faster technology driven service, as it prepares to meet the challenges of the future, but whilst to continue to emphasize on personalized contact and service, its traditional values. Your bank has a strong and wide base in the State of Tamil Nadu, one of the progressive States in the country, which has a vibrant industrial environment but is emerging strong in the states like Andhra Pradesh, Karnataka, Maharashtra and Gujarat where its traditional presence in strong clusters has contributed immensely to the economic growth of its customers and the areas it was present. Your bank has been focusing on retail banking, corporate banking and bancassurance, by rendering high-tech services.

The Bank has an ATM network of 541, in vital / major locations for better service to our customers; customers can access over 83000 + ATMs across the country. Bank continues to invest in expanding the network of ATMs.

For better span of control and speed to market, 4 Zonal Offices have been replaced with 8 Regional Offices.

9. FINANCIAL INCLUSION

Your Bank continues to play an active role in the Financial Inclusion campaign, extending basic banking services to the unorganized sectors of the economy, through Business Facilitator and Business Correspondent model. During FY 2011-12, the bank has implemented the Financial Inclusion plan in 32 villages besides the 18 villages covered during last year, thus covering all the 50 villages allotted by SLBC with population of over 2000 in Tamilnadu. The Bank has opened 25818 no-frill accounts to improve its penetration in rural areas.

10. INTERNATIONAL BUSINESS

The global economic issues have had their impact on India's exports. This made it challenging to achieve our stated purpose of expanding the exports business. During the year the Bank achieved Foreign Exchange business Turnover of ₹ 4358.73 Crore as against the previous year Turnover of ₹. 4900.58 Crore. Lending to Export Sector however decreased from ₹ 215.43 Crore to ₹ 175.44 Crore. The financial year 2012-13 will see a refreshed approach to service clients on the export front and to substantially increase the Foreign Exchange Volume. The bank is taking various initiatives including staff training and line of credit, to address the needs of the export fraternity in the areas it operates and is confident that this will be a growth area in the next few years.

11. LISTING AGREEMENT WITH STOCK EXCHANGE

The Equity Shares of the bank are listed on the National Stock Exchange of India Ltd, Mumbai. The Bank also made necessary arrangement for listing of our equity shares with Bombay Stock Exchange, Mumbai which will enhance the liquidity of our shares and investors get additional forum to purchase or sell the shares through over 13,300 trading terminals spread across 295 cities and will add visibility to the global investors through BSE Web Site – the most widely viewed exchange in the world.

12. ALIGNING TECHNOLOGY WITH BUSINESS OBJECTIVE

Leveraging on the robust technology platform & Core Banking Solution, your bank has introduced the following Technology Products, Delivery Channels and Services to serve our wide spectrum of customers, cutting across geographical location, age etc.