



LAKSHMI VILAS BANK

87th ANNUAL REPORT 2013 - 2014



BOARD OF DIRECTORS



Shri RAGHURAJ GUJJAR
Non Executive Chairman



Shri RAKESH SHARMA
Managing Director & CEO



Shri D.L.N. RAO



Shri B.K. MANJUNATH



Shri K.R. PRADEEP



Shri S.G. PRABHAKHARAN



Shri S. DATTATHREYAN



Shri A. SATISH KUMAR



Shri P.A. SHANKAR



Shri N. MALAYALARAMAMIRTHAM



Shri PANKAJ VAISH



Shri PRAKASH P MALLYA



Shri R.RAVIKUMAR
RBI Nominee



Shri ASHOK NARAIN
RBI Nominee


LAKSHMI VILAS BANK

BOARD OF DIRECTORS

Sarvashree

Raghuraj Gujjar - Non Executive Chairman
 Rakesh Sharma - Managing Director & CEO - (From 07.03.2014)
 K.S.R. Anjaneyulu - Managing Director & CEO - (Till 07.03.2014)
 N. Saiprasad - (Till 05.03.2014)
 Kusuma R Muniraju - (Till 20.09.2013)
 D.L.N. Rao
 B.K. Manjunath
 K.R. Pradeep
 S.G. Prabhakaran
 S. Dattathreyan
 R. Sharan - (Till 23.08.2014)
 A. Satish Kumar
 P.A. Shankar - (From 06.08.2013)
 N. Malayalamamirtham - (From 07.03.2014)
 Pankaj Vaish - (From 23.08.2014)
 Prakash P Mallya - (From 23.08.2014)
 R. Ravikumar - RBI Nominee
 Ashok Narain - RBI Nominee

CHIEF FINANCIAL OFFICER

M. Palaniappan

CHIEF GENERAL MANAGER

A.J. Vidyasagar

GENERAL MANAGERS

R.V. Raman
 RM. Kumarappan
 S. Ramanathan
 R. Kamalasekaran
 A. Shankar
 R.K. Gurumurthy
 Peeush Jain
 P. Premkumar
 Ashok Kumar Pareek

COMPANY SECRETARY

N. Ramanathan

REGISTERED OFFICE

Salem Road, Kathapara, Karur-639 006, Tamilnadu
 Phone: 04324-220051 to 220060 (10 lines)
 Website: www.lvbank.com
 E.Mail: secretarial@lvbank.in

ADMINISTRATIVE OFFICE

"LVB HOUSE", No. 4, Sardar Patel Road,
 Guindy, Chennai - 600 032
 Phone: 044 - 22205306

AUDITOR

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



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**LAKSHMI VILAS BANK****DIRECTORS' 87th ANNUAL REPORT****TO****THE MEMBERS**

The Directors of your Bank have great pleasure in presenting this 87th Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2014 (FY 2013-2014).

1. FINANCIAL PERFORMANCE

The highlights of the financial performance of your Bank for the year ended 31st March, 2014 are as under:

	(₹ in crore) For the year ended	
	31st March 2014	31 st March 2013
Deposits	18,572.88	15,618.98
Advances (Net)	12,889.19	11,702.80
Investments (Net)	5,688.68	4,324.55
Total Income	2,201.94	1,957.61
Operating profit	309.00	251.15
Provisions and contingencies	249.34	159.57
Net Profit	59.66	91.57

Your bank registered reasonable growth in business volumes that compares well with the industry average. The Bank attained total business of ₹ 31,462.07 crore in FY 2013-2014 a growth of 15.15% over ₹ 27,321.78 crore in FY 2012-2013.

Deposits grew at 18.91% from ₹ 15,618.98 crore as at 31st March 2013 to ₹ 18,572.88 crore as at 31st March 2014 and total advances expanded by 10.14%, from ₹ 11,702.80 crore to ₹ 12,889.19 crore in FY 2013-2014. Of this, lending to priority sector rose from ₹ 4,565.54 crore in the previous year to ₹ 5,216.52 crore as on 31st March 2014. Agricultural advances increased to ₹ 2,462.00 crore from ₹ 2,286.35 crore and advances to weaker section recorded a significant growth from ₹ 1,582.68 crore to ₹ 1,730.71 crore.

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

As at the end of the year under review, the total investments of the Bank stood at ₹ 5731.96 crore as against ₹ 4,347.93 crore as on 31st March 2013.

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

2. PROFIT

The Bank has posted an operating profit of ₹ 309.00 crore in FY 2013-2014 as against ₹ 251.15 crore in the previous year FY 2012-13 registering a growth of 23.03%. The net profit for the year, after provisions and taxes, amounts to ₹ 59.66 crore as against ₹ 91.57 crore recorded in FY 2012-13.

**3. APPROPRIATIONS**

Particulars	(₹ in crore) For the year ended	
	31.03.2014	31.03.2013
Profit brought forward	0.09	0.09
Amount available for appropriation	59.74	91.66
Transfer to:		
Statutory Reserve	15.00	29.00
Capital Reserve	0.11	3.44
Other Reserve	24.00	16.40
Transfer to Special Reserve U/s 36(1) (viii) of the IT Act, 1961.	9.15	8.50
Proposed Dividend	9.75	29.26
Corporate Dividend Tax	1.66	4.97
Balance of Profit carried forward	0.07	0.09

4. DIVIDEND

Your Board of Directors are pleased to recommend a dividend of ₹ 1.00 (10%) per share for the year ended 31st March, 2014 as against ₹ 3.00 (30%) per share for previous year ended 31st March, 2013. The total out go in the form of dividend, including taxes, will be ₹ 11.41 Crore.

5. EPS / BOOK VALUE

Earnings per Share stood at ₹ 6.11 for the year ended 31st March, 2014 as compared to ₹ 9.39 as on 31st March, 2013.

Book Value of the share, after reckoning payment of dividend, grew to ₹ 100.16 on 31st March, 2014 as compared to ₹ 92.88 as on 31st March, 2013

6. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

Net Owned Funds (NOF) of the Bank increased from ₹ 936.55 crore as at the end of FY 2012-2013 to ₹ 977.17 crore as at the end of FY 2013-2014, reflecting a growth of 4.34%.

The Capital Adequacy Ratio (CAR) as on 31st March 2014 as per BASEL III is 10.90%. 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 7.87% and 3.03% respectively.

7. NON PERFORMING ASSETS (NPA's)

Your bank's gross & net NPA has increased to 4.19% and 3.44% as on 31st March 2014 as against 3.87 % & 2.43% as on 31st March 2013.

Your bank is taking effective steps to control accretion to NPA portfolio. In this regard, we have an effective credit monitoring system in place, which ensures early remedial action whenever incipient symptoms of sickness are noticed. By addressing the problem of NPA, the bank is working to turn back the stressed assets into performing assets. Further, credit appraisal process and credit disbursement is being constantly improved to take care of the changing economic dynamics.



Thus, your bank continues to address the NPA problem through a combination of recovery process improvement, technology solutions for early alerts and strict credit delivery. However, bank's performance is closely linked to external factors also such as domestic and international economic performance. Bank is not insulated from cyclical performance of the economy as well. As we are all aware, the present economic situation is fraught with uncertainties. The economy is yet to recover from the contracting growth in GDP and industrial output besides high inflationary pressure. Under the circumstances, the performance of the bank also got affected to a certain extent, as some of the high value accounts in textiles, infrastructure and other core sectors slipped to NPA category.

However a major chunk of this portfolio is expected to be nursed back to performing category during the current financial year. Besides, the economy is expected to pick up this year, helping the industries in core sector to recover. Therefore, we are confident of registering a better recovery performance during the ensuing FY 2014-15.

8. BRANCH AND ATM NETWORK

The bank has a network of 361 branches, 1 satellite branch and 8 extension counters, spread over 15 states and the union territory of Puducherry. The Bank's focus is on customer delight, by maintaining high standards of customer service. LVB has a strong and wide base in the State of Tamil Nadu, one of the progressive States in the country. LVB has been focusing on retail banking, corporate banking and bancassurance, by rendering high-tech services.

The Bank has an ATM network of 688 (208 Onsite & 480 offsite), in vital / major locations for better service to the customers; customers can access over 100000 + ATMs across the country.

9. FINANCIAL INCLUSION

Financial inclusion may be defined as the process of ensuring access to Financial Services to vulnerable groups such as weaker sections and low income groups at an affordable cost and providing timely and adequate credit where needed. The essence of financial inclusion is to ensure that a range of appropriate Basic financial services are made available to every individual and enabling them to understand and access those services.

The bank has implemented the Financial Inclusion Plan in 131 villages allotted by SLBC in Tamil Nadu. The bank has opened 77426 Basic Savings Bank Deposit Accounts (BSBDA) to improve its penetration in rural areas.

10. INTERNATIONAL BUSINESS

It continued to be a challenging year for India as the country faced sluggish global demand on account of recession across the globe. US started showing signs of recovery over the past six months. Amidst such scenario of mild improvement, the bank has achieved a foreign exchange turnover of ₹ 4,310.08 crore as against previous year's turnover of ₹ 4,239.03 crore. Lending to export sector has increased from ₹ 214.01 crore to ₹ 250.36 crore. As the overall prospects for global economy in FY 2014-15 appears to be moderately brighter, we expect to have a sustained growth in foreign exchange business by the branches.

11. BANK TRANSFORMATION EXERCISE

With the aim of transforming various aspects of the bank's functioning, both strategic and operational, LVB embarked on 'Project Lakshya'. The project is aimed at changing the overall functioning of the bank to make it a more dynamic and vibrant organization. The project will draw a strategic roadmap for re-aligning the banks' operating model to support the strategic growth objectives and delivering superior value to its customers.

To achieve these objectives, Ernst & Young has been appointed as a strategy partner to assist the Bank in designing and implementing a bank-wide business transformation program.

The aim of the Project is to assess the current state of the bank across the above functional areas and identify gaps in the current operations. The projects have been segregated into pilot projects which should be implemented at select branches to improve the branch operations, followed by a national roll out to the remaining branches and HO projects which should be implemented from the HO to improve operations and support functions.

12. LISTING AGREEMENT WITH STOCK EXCHANGE

The Equity Shares of the bank are listed with the National Stock Exchange of India Ltd., Mumbai and Bombay Stock Exchange Ltd., Mumbai which is enhancing the liquidity of your equity shares.



13. ALIGNING TECHNOLOGY WITH BUSINESS OBJECTIVE

Your bank has introduced the following Technology products and Services:

1. Centralised Processing Centre was operationalized to open all the new Current and Savings accounts in a centralized location to improve efficiency and accuracy in the operations.
2. Expansion of Cheque Truncation System (Image Based Clearing) to Western Grid in addition to 169 branches in Southern Grid, which facilitates speedy clearance of cheques.
3. Implementation of various software tools and applications to meet business and compliance requirements.
4. Your bank has introduced Chennai Corporation tax collection facility at all Chennai branches.
5. Your Bank has enabled APBS (Aadhar Payment Bridge System) of NPCI - for linking Aadhar number with Bank account number and getting Government subsidies to the credit of customer accounts.
6. Your Bank has implemented NPCI's MMS (Mandate Management System) and ACH (Automatic Clearing House) systems which is equivalent to current ECS.

Your Bank has bagged Best CIO - Network Pioneer Award 2013 given by IDG Media India Pvt Ltd in this financial year.

14. WEALTH MANAGEMENT / PARABANKING ACTIVITIES

- i. **Life Insurance:** Bank has entered into a tie up with the Giant in the Life Insurance sector - LIC of India for soliciting Life Insurance policies for the customers. All the products of LIC are available through the branches. It opens up a reliable and trustworthy investment avenue, making LVB a one stop shop for all financial requirements.
- ii. **General Insurance:** Bank has tie-up with M/s. Bajaj Allianz General Insurance Company to market the General Insurance products.
- iii. **Mutual Funds & PMS:** The Bank is presently having tie-up with thirteen leading Asset Management Companies for promoting various Mutual Fund schemes. In addition, we are promoting Portfolio Management Services (PMS) through UTI, Reliance and Sundaram Asset Management Company.
- iv. **Money Transfer through Branch Channels:** Foreign inward remittances arrangement with M/s. Weizmann Forex Ltd. for extending Western Union Money Transfer facility, in addition, tied-up with M/s. UAE Exchange & Financial Services Ltd., for offering Global Money Transfer services through Xpress Money and Moneygram.
- v. **Money Transfer through Direct Remittances:** Tied up with Times of Money - Remit 2 India, for Inward remittance from Abroad which enables the NRIs to directly remit the amount to their account / residents.
- vi. **Investment & Infrastructure Bonds:** Bank empanelled with M/s Bajaj Capital Ltd. for promoting Investment & Infrastructure Bonds.
- vii. **PAN Card Services:** Bank has tied up with M/s. UTI Infrastructure & Technology Services Ltd., (UTIITSL) as PAN Service Agent (PSA) for collecting the PAN Application across the country through Branches.
- viii. **Depository Participant Services:** Registered as Depository Participant with NSDL and with necessary clearances, this product is offered to our customers
- ix. **Online Trading Services:** Bank has tied up with M/s. IDBI Capital Market Services Ltd. for offering Online Trading Services (OLT) to the customers.
- x. **New Pension System (NPS):** Bank has registered with PFRDA and NSDL-CRA as Point of Presence (PoP) for offering NPS services for all Indian citizens except Government Employees already covered by NPS.
- xi. **ASBA:** As Bankers to the issue, the Bank can now receive applications under ASBA mode thus enabling the investors to earn interest till allotment of securities.



15. RISK

Risk and Return are two sides of the same coin in the activities of any bank. Risk Management is critical in the way modern business is operational because of dynamic business environment to which businesses are exposed. It is not only a requirement under several voluntary codes and statutes but also makes business sense to identify the probability of not achieving strategic and business goals. Risk Management has to be embedded in business processes to ensure that it is being practiced and made part of the culture of the organization. With this in mind, the bank has established systems and policies ensuring an ongoing assessment of relevant risk types on an individual basis and in the aggregate as well.

The Board of Directors effectively oversee the risk management and a Board Level Committee monitors the implementation of Credit risk, Market Risk and Operational Risk policy prescriptions. The Asset Liability Management Committee (ALCO) looks into the management of Liquidity and Market risks and ensure adherence to the prudential limits. At Executive Level also, a committee consisting of Top Executives periodically reviews Liquidity Risk, Credit Risk & Market risk to take stock of the current situation. At the organization level, an Integrated Risk Management Department is functioning at Head office to identify the measures, to monitor and to reduce risk; to optimize returns and to assess the required capital level. Bank has already automated the process of capital calculation and Base rate as per RBI Guidelines. Bank has a well defined credit risk assessment system to ascribe borrower risk grades. This facilitates data collection and analysis for moving towards Advanced Approaches. Bank has in place a well-defined frame work for managing Market Risk. Basic Indicator Approach has been adopted for computation of capital charge for Operational Risk.

The Bank has since migrated to Basel II - New Capital Adequacy Framework (NCAP) - from March 2009 and Basel III from April 2013 and is preparing ICAAP document to assess its inherent risk and capital requirements. Bank uses Stress Testing and Scenario Analysis in various risks as required under Pillar II for enhancing risk assessment and to provide the bank a better understanding of the likely impact even in extreme circumstances. Technology is extensively used in measuring and discussing market risk using statistical tools including stress testing.

16. INTERNAL CONTROL

Bank has a separate Audit and Inspection Department which subjects all the branches besides the Treasury, Currency Chests, Service Branches, Regional Offices and every department of the Administrative Office through Regular Inspections. Key functional areas including Integrated Treasury at Mumbai and Central Processing Cells at Chennai and Karur are under concurrent Audit which covers 57.00% of the total Deposits and 77.00% of the total Advances of the Bank. All the computerized Branches are subjected to regular IS Audit.

Audit Committee of the Board has been constituted in line with RBI guidelines and as per the requirements of clause 49 of the Listing Agreement, the Audit Committee reviews the adequacy of the audit and compliance function, including the policies, procedures and techniques.

17. HUMAN RESOURCE

Staff strength of the Bank was augmented during the year 2013-14 with the recruitment of 15 Executives, 93 Officers, 160 Clerks & 78 Sub staff. We have also engaged 457 Sales Personnel to promote sales. Bank has effected promotion to higher cadre and 194 staff were promoted. Total number of employees as on 31.03.2014 was 3292 as against 3149 as on 31.03.2013. Business per employee has gone up from ₹ 7.75 Crore as on 31.03.2013 to ₹ 8.59 Crore as on 31.03.2014.

The Bank's focus on training the human resources on a continual basis gained momentum with introduction of online e-learning duly leveraging technology. Bank has trained the executives and officers by deputing to various programmes offered by reputed external institutions such as RBI, CAB, SIBSTC, IDRB, NIBM, ISB, IIFB and other specialized organization.

18. SOCIAL INITIATIVES

Social initiative is a strategic plan of action born from beyond the call of duty, realized through passion, diligence and a genuine concern for the enrichment of communities and the common good. It has emerged as an important way to develop standards for financial, social and environmental areas of organizational work and also to promote positive social and environmental change. In this regard, your bank had pioneered in various social initiatives by donating a sum of ₹ 37.02 lakhs for FY 2013-14 and the breakups are given below:



- Donated a sum of ₹ 1,32,000/- to Armed Reserve Force towards building a shed in their armed squad campus at Karur.
- Donated a sum of ₹ 25,00,000/- towards Prime Minister's National Relief Fund for providing assistance to the victims of cloudburst and floods in Uttarakhand.
- Donated a sum of ₹ 50,000/- to M/s. Lions Eye Donor's Forum of Karur (Lions Club of Karur) towards short film preparation on awareness of Eye Donation
- Donated a sum of ₹ 20,000/- to Mr. Ammaiappan towards the Surgery for Cleft lip correction of Mr. V. Dinesh, Karur through M/s. Amaravathi Hospital.
- Donated a sum of ₹ 10,00,000/- to M/s. Karnataka Arya Vysya Charitable Trust, Bengaluru towards scholarships to the deserving poor meritorious students for their higher studies.

19. CORPORATE GOVERNANCE

Corporate Governance of the Bank continues to rest on the fundamental pillar of high ethical values, designed to enhance and protect the interest of all the stakeholders. The Bank has complied with the code of corporate governance as enumerated in Clause 49 of the Listing Agreement. All the Directors on the Board have executed deed of covenant and undertaking individually in line with the recommendations of Dr. Ganguly Committee Report.

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis is presented in Annexure-A, Report on Board Committees is furnished in Annexure-B. Composition of the Board of Directors together with the attendance of Directors at various meetings of the Board, its Committees and Annual General Meeting and the number of directorships held by them along with the details of Audit Committee and Share Transfer & Investors' Grievances Committee are furnished in Annexure-D.

20. CHANGES IN THE BOARD OF DIRECTORS

Mr. K. Ravindrakumar, Director, resigned from the Board w.e.f 26.04.2013 after having served on the Board for more than 7 years. Mr. Kusuma R Muniraju, Director resigned from the Board w.e.f 20.09.2013 after having served on the Board for more than 6 years. Mr. N. Saiprasad resigned from the Board w.e.f 05.03.2014 having served on the Board for 8 years. Mr. R. Sharan resigned from the Board w.e.f. 23.08.2014 after having served on the Board for more than 2 years.

Mr. K.S.R. Anjaneyulu, interim MD & CEO of the Bank resigned from the Board on 07.03.2014 upon joining of Shri Rakesh Sharma as the new MD & CEO of the bank.

Mr. K.R. Pradeep, Director will be retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Mr. Raghuraj Gujjar was appointed as an Additional Director and Non-Executive Chairman of the Board with effect from 26.04.2013 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in pursuance of approval of RBI vide Ref. DBOD.10135/08.44.001/2012-13 dated 14.01.2013.

Mr. P.A. Shankar was appointed as an Additional Director on 06.08.2013 pursuant to the provisions of Section 260 of the Companies Act, 1956 and classified under Independent Director in terms of Clause 49 of the Listing Agreement and represent Agriculture under majority sector as per Banking Regulation Act.

Mr. N. Malayalamamirtham was appointed as an Additional Director on 07.03.2014 pursuant to the provisions of Section 260 of the Companies Act, 1956 and classified under Non-Independent Director in terms of Clause 49 of the Listing Agreement and represent Business under minority sector as per Banking Regulation Act.

Mr. Rakesh Sharma was appointed as MD & CEO of the Bank on 07.03.2014 as per the Approval of RBI vide DBOD.10731/08.44.001/2013-14 dated 02.12.2013 for a period of 2 years.

Mr. Pankaj Vaish was appointed as an Additional Director on 23.08.2014 pursuant to the provisions of Section 161 of the Companies Act, 2013 and classified as a Non-Executive Independent Director as per Section 149 of the Act and in terms of Clause 49 of the Listing Agreement and under majority sector representing Information Technology Category as per provisions of Section 10A (2) (a) of the Banking Regulation Act, 1949.