

ANNUAL REPORT

2001-2002



Report  nction.com



The
Nedungadi Bank
Ltd.

REGD. OFFICE: SHATHABDI BHAVAN, MINI BYPASS ROAD, P.O. GOVINDAPURAM, CALICUT-673016, KERALA
Visit us at: www.nedungadi-bank.com

Board of Directors



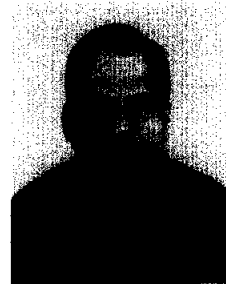
T.M. Appu Nedungadi
(1860-1933)

*Author, Educationist, Reformer
Founder, Nedungadi Bank*

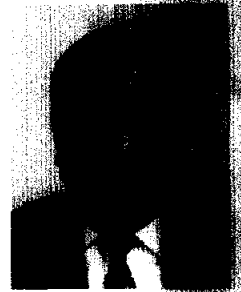
Rao Bahadur T.M. Appu Nedungadi, lawyer by profession and banker by practice, was a man far ahead of his time. He dared to light a lamp of prosperity. The Nedungadi Bank Ltd., the first commercial bank in South India, grew into one of the prime institutions in the Indian banking over the years. And it is his great vision- bringing the benefits of modern banking to the common man- that makes it shine in millions of lives.



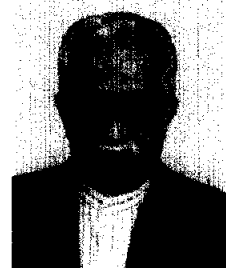
Sri. V. Narayanan
General Manager



Sri. J.R.Prabhu
Chairman



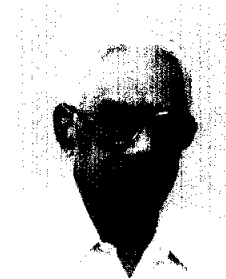
Sri. C.V.Nair
Director



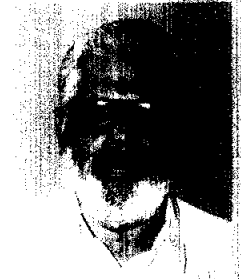
Sri. P.S.Menon
Director



Sri. V. Mahadevan
Director



Sri. P.K.Warrier
Director



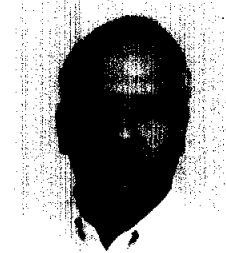
Sri. P.E.B.Menon
Director



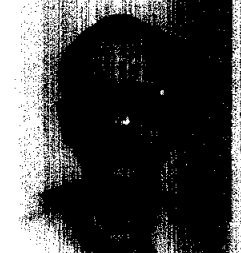
Sri. P.Manomohanan
*Addnl.Dir., RBI Nominee
(Non Official)*



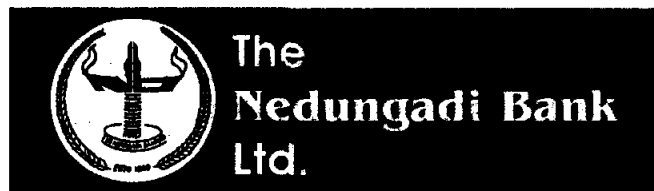
Sri. V.O.Gopi
*Addnl.Dir., RBI Nominee
(Non Official)*



Sri.K.N.Rajan
*Addnl.Dir., RBI Nominee
(Official)*



Sri. Cherian P. Thekkumkara
*Alt.Addnl.Dir., RBI Nominee
(Official)*



REGD. OFFICE : Shathabdi Bhavan, Mini Bypass Road,
P.O. Govindapuram, Calicut – 673 016, Kerala

NOTICE

Notice is hereby given that the 89th Annual General Meeting of THE NEDUNGADI BANK LIMITED, will be held at the Tagore Centenary Hall, Red Cross Road, Calicut – 673 032 on Tuesday, the 24th September, 2002 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the bank as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date, together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri P. S. Menon, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration.

The present Auditors M/s. Krishnamoorthy & Krishnamoorthy, Chartered Accountants, Cochin retire at this meeting and are eligible for re-appointment.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modifications the following resolution as an ORDINARY RESOLUTION.

“RESOLVED THAT in terms of Section 228 of the Companies Act, 1956, the Board of Directors be and is hereby authorised to arrange audit of branches for the accounting year 2002-2003 and to appoint branch auditors in consultation with Statutory Auditors and to fix their remuneration for the branch audit.”

5. To consider and, if thought fit, to pass with or without modifications the following resolution as an ORDINARY RESOLUTION.

“RESOLVED THAT Shri P. E. Balakrishna Menon, Parayath, Bank Road, Aluva – 683 101 be and is hereby appointed as Director of the bank, liable to retire by rotation.”

6. To consider and if thought fit, to pass with or without modifications the following resolution as a SPECIAL RESOLUTION.

“RESOLVED THAT pursuant to Section 81 and other applicable provisions, if any of the Companies Act, 1956, and the Articles of Association of the bank, the Board of Directors of the bank (hereinafter referred to as the ‘Board’) be and is hereby authorised and empowered to dispose of, offer and allot any Rights Shares remaining un-subscribed by the existing shareholders entitled thereto or remaining undisposed in a Rights Issue, if any, to such persons, whether shareholders of the bank or not, as the Board of the bank in its absolute discretion deems fit”.

By Order of the Board of Directors
Sd/-

R. Srikar Pai
COMPANY SECRETARY

Place : Calicut
Date : 31.07.2002

NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.

The instrument appointing a proxy shall be deposited at the Registered Office of the bank not less than 48 hours before the scheduled time for holding the Annual General Meeting.

- b. Register of Members and Share Transfer Books of the bank will be closed from 10.9.2002 to 24.9.2002 both days inclusive.
- c. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business is annexed hereto.
- d. In case there is any correction/ change in your address registered with us, please communicate the same to us with PIN Code to enable us to register it in our records.
- e. Please indicate your Folio No. in all your correspondences with the bank.
- f. The Shareholders who are desirous of appointing a Nominee for the shares in their respective folios in terms of the provisions of Section 109A of the Companies Act, 1956 may obtain the nomination forms from the Shares Department of the bank and submit the duly filled in and signed forms.
- g. Dematerialisation : At present the shares of the bank are available for dematerialisation and as per the directives issued by the Securities and Exchange Board of India (SEBI), the shares of the bank is being traded compulsorily in demat segment w.e.f. August 28, 2000. Shareholders who wish to maintain the shares in the demat form can do so through any SEBI registered Depository Participants (DPs) and avail the demat facility.
- h. All dividends remaining unclaimed / unpaid upto and including for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of the transferred dividends may be made to Registrar of Companies, Kerala, M.G. Road, Ernakulam, Kochi—682 011 .

In terms of Sec. 205A(5) of the Companies Act, 1956 as amended with effect from 31st October, 1998, all dividends which are remaining unpaid/unclaimed for a period of seven years, have to be transferred to "Investor Education and Protection Fund" established u/s 205C and maintained with Central Government. The amended provisions will apply to unpaid / unclaimed dividends, if any, of our bank for the year 1995-96 and subsequent years. Members are, therefore, advised to prefer their claims for unpaid/unclaimed dividends, if any, for the said years, direct to the bank. It may be noted that no claim shall be against the bank or the fund established u/s 205C for unpaid/unclaimed dividends once such dividends have been transferred to such Fund.

EXPLANATORY STATEMENTS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, ANNEXED TO THE NOTICE OF THE 89th ANNUAL GENERAL MEETING.

ITEM NO. 4

In accordance with Section 228 of the Companies Act, 1956 the Board of Directors may be authorised to appoint branch auditors in consultation with the Statutory Auditors. The appointments will be made after getting the approval from the Reserve Bank of India.

No Director is interested in the Resolution.

ITEM NO. 5

Shri P. E. Balakrishna Menon was appointed as an Additional Director on 28.1.2002 pursuant to article 111 (n) of the Articles of Association of the bank. Shri P. E. Balakrishna Menon will hold office upto the date of 89th Annual General Meeting. Notice has been received from a member proposing the appointment of Shri P. E. Balakrishna Menon as a Director of the bank at the ensuing 89th Annual General Meeting of the bank. Accordingly, the notice of the resolution proposing the appointment of Shri P. E. Balakrishna Menon is being given to the members.

Shri P. E. Balakrishna Menon based at Aluva is the founder partner of M/s Balan & Co., Chartered Accountants, Aluva – 683 101.

No Director other than Shri P. E. Balakrishna Menon is interested in the resolution.

ITEM NO.6

As per the prudential norms stipulated by the Reserve Bank of India, more particularly, the requirement of minimum Capital Adequacy, it is necessary for the bank to augment and at the same time ensure that minimum capital adequacy is adhered to on an ongoing basis. Hence it has become necessary to enhance the paid-up capital of the bank. The Board of Directors are considering the manner in which additional capital to be infused in the bank. In this connection on a reference made by the bank, the Securities and Exchange Board of India (SEBI) has advised that the bank may allot un-subscribed shares of the Rights Issue to the non-shareholders subject to passing of a shareholders' resolution under Section 81 of the Companies Act, 1956 stating that the company may allot un-subscribed shares to non-shareholders.

A similar opinion on the above subject is also given by the Cochin Stock Exchange Ltd., the Regional Stock Exchange of the bank.

However, the bank has obtained legal opinion from a leading company law expert that there is no necessity for a shareholders' resolution to be passed under Section 81 of the Companies Act, 1956 for the purposes of allotment of un-subscribed shares of the Rights Issue to non-shareholders. On the basis of such legal opinion, the bank has addressed the Securities and Exchange Board of India (SEBI) to reconsider its advice as to the requirement of the passing of the shareholders' resolution under Section 81 of the Companies Act, 1956.

No Director is interested in the resolution.

Place : Calicut
Date : 31.07.2002

By Order of the Board of Directors
Sd/-
R. Srikar Pai
COMPANY SECRETARY

BRIEF PROFILE OF THE DIRECTORS TO BE APPOINTED/RE-APPOINTED**Shri P. E. Balakrishna Menon**

Shri P. E. Balakrishna Menon born on 18th February, 1940 is a Graduate in Commerce from Kerala University. He is also a fellow member of the Institute of Chartered Accountants of India. Shri P. E. Balakrishna Menon, a Chartered Accountant by profession is the founder partner of M/s. Balan & Co., Chartered Accountants, Bank Road, Aluva – 683 101. Shri Menon is specialised in Direct Taxation, Audits, NBFCs and Nidhi Companies Audit, Corporate Audits, Non-Corporate Audits, Takeovers, Amalgamation and Credit Syndication etc. Shri Menon does not hold any Directorship in any company.

At present he is the Chairman of the Audit Committee and also member of the Management Committee of the Board of Directors of the bank.

Shri P. S. Menon

Shri P. S. Menon born on 21st October, 1921 had studied upto B.Sc. He is a professional Aircraft Maintenance Engineer and a member of Aeronautical Society of India. Shri Menon is the former Chairman of AirWorks India (Eng.) Pvt. Ltd. and also a director of Aeronautical Publications (P) Ltd., Mumbai. Shri P. S. Menon based at Calicut is the Managing Partner of a vast plantation firm situated in Kerala.

Shri P. S. Menon is on the Board of the bank since 12.4.1995. He is also a member of the shareholders' / investors' Grievances Committee of the Board of Directors of the bank.



**EXECUTIVES****GENERAL MANAGER**

Shri.V.Narayanan

DEPUTY GENERAL MANAGERS

Shri. C.K.Prabhakaran

Shri. K.P. Ramachandran

Shri. T.R. Narayanan

ASSISTANT GENERAL MANAGERS

Shri. G.Rajkumar

Shri. D.Subramaniam

Shri. N.V. Unniraghavan

Shri. M.Mohandas Kumar

Shri. M. Krishnan

Shri. S. Kesava Iyer

Shri. P. Cyril Jayaraj

Shri. K.Damodaran

Shri. P.K. Surendra Raja

Shri. A. Thomas Mathew

Shri. K. Raveendranatha Sarma

Shri. Mohandas Mackanchery

Shri. K. Janardhana Kurup

Shri.P. Rajan

**COMPANY SECRETARY**

Shri. R. Srikar Pai

AUDITORS

M/s. Krishnamoorthy & Krishnamoorthy
Chartered Accountants, Cochin.



DIRECTORS' REPORT

The Board of Directors is presenting the 89th Annual Report on the operations of the bank together with the Audited Annual Accounts for the year ended 31st March 2002.

BANKING SCENARIO

During 2001-2002, the growth in aggregate deposits of scheduled commercial banks at 14.3% was lower than that of 18.4% in the previous year during which deposits were augmented by India Millennium Deposits inflows. The non-food credit registered a lower growth of 12.8% as against an increase of 14.9% in the previous year reflecting deceleration in industrial activity.

During the year the Reserve Bank of India reduced the Cash Reserve Ratio and the Bank Rate by 0.5%. As a consequence there was softening of the interest rates during the year under review.

OPERATIONS OF THE BANK

The bank's key performance indicators are detailed hereunder.

	31.03.2002	(Rs.in crores) 31.03.2001
Deposits	1438.06	1749.37
Advances	769.88	848.55
Investments	527.94	705.49
Total Income	225.38	206.17
Total Expenses	190.72	205.53
Operating Profit	34.66	0.64
Provisions & Contingencies	33.39	68.43
Net Profit/(Loss)	1.27	(67.79)
Transfer from Investment Fluctuation Reserve	—	0.75
Profit/ (Loss) brought forward	(66.76)	0.28
Appropriation to Statutory Reserve	0.32	—
Balance carried over to balance sheet	(65.81)	(66.76)
Business per employee	1.37	1.45

The CD ratio of the bank stood at 54% as on 31.03.2002 as compared to 49% as on 31.03.2001.

Due to inadequacy of profit, the Board of Directors are not recommending any dividend on the bank's shares for the year ended 31st March 2002.



BUSINESS PARAMETERS

a. Deposits

The decrease in deposits during the year was on account of non-renewal, on due dates, of high-cost inter bank and institutional deposits. Efforts are made to improve the deposit mix so as to reduce the average cost of deposits. The share of low cost deposits in the total deposits of the bank increased from 16.75% to 21.39%.

The total NRI deposits of the bank touched the level of Rs. 327.46 crores and registered a growth of 20.15% and constituted 22.77% of the total deposits.

The bank introduced new value added services named 'Akshya' facilities in its savings bank and current account deposits during the year.

b. Advances

The aggregate advances declined to Rs.769.88 crores from Rs. 848.55 crores in the previous year recording a fall of 9.27%. Despite the decline, the Credit Deposit ratio was higher at 54% compared to 49% in the previous year.

The bank continued to comply with the stipulated norm requiring 40% of net bank credit to be extended to the borrowers in the priority sector. The aggregate funds deployed in priority sector were of the order of Rs.292.29 crores including investments with authorised institutions representing 46.25% of the net bank credit, surpassing the stipulated target.

The increase in NPA levels is on account of advances granted during the expansionary phase of 1997-2000 becoming difficult of recovery during the year. Reduction of NPAs continues to be a major thrust area of the bank. During the year the total recoveries made under NPA accounts aggregated Rs.26.93 crores. At the end of the year the Net NPAs formed 31.05% of the net advances.

In order to ensure that there is no let up on the recovery and upgradation of the non-performing assets, the bank has put in place detailed operational guidelines as follows:

- a) Regular and continuous follow up of non-performing assets for recovery/regularisation.
- b) Special drive for one time settlements.
- c) Follow up of early disposal of suit filed and decreed accounts.
- d) Close monitoring to avoid slippage in standard assets.
- e) Efforts towards up-gradation of sub-standard assets.
- f) Holding of Recovery Adalaths.
- g) Exercise of discretionary lending powers linked to the extent of recoveries made by the branch managers.
- h) Task forces comprising bank's senior executives to expedite the recovery process.

The Committee of Directors constituted to review the NPA accounts and the bank's Board are closely monitoring recovery of NPAs.



The recently introduced Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 by the Government of India should help the bank in its recovery efforts.

C. Treasury Operations

During the year the income from investments amounted to Rs.63.43 crores contributing as much as 28.4% of the bank's total income.

d. Forex Business

The bank's foreign exchange turnover was Rs.2481.47 crores during the year compared to Rs.1515.13 crores in the previous year registering a growth of 63.78%. The export credit for the year 2001-02 stood at Rs.47.96 crores forming 6.23% of the net bank credit. The income from foreign exchange business amounted to Rs.3.46 crores.

NETWORTH AND CAPITAL ADEQUACY

The paid up capital and reserves of the bank amounting to Rs.60.48 crores were eroded by the balance of loss of Rs.65.81 crores carried over to balance sheet as on 31.03.2002. The Capital Adequacy of the bank (CRAR) was (-) 1.99% as against the Reserve Bank of India's stipulation of 9% on risk weighted assets. As it is necessary to restore the net worth of the bank and achieve the capital adequacy ratio of 9%, as a first step, resolutions for increasing the authorised capital of the bank from Rs.30 crores to Rs.100 crores were unanimously passed by the shareholders in the Extra Ordinary General meeting held on 3rd May 2002. Negotiations are being held with one of the major shareholder groups and couple of merchant bankers regarding the manner in which additional capital could be infused.

BRANCH EXPANSION

The total number of bank's branches stood at 173, with the opening of Thodupuzha branch in June 2002, in Idukki District of Kerala.

The population group wise classification of branches is as follows.

<u>Category</u>	<u>Number</u>	<u>Percentage to total no.of branches.</u>
Rural	19	10.98
Semi Urban	88	50.86
Urban	47	27.18
Metropolitan	19	10.98
Total	<u>173</u>	<u>100.00</u>