DhanlaxmiBank

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SH: 461 /2012-13

October 25, 2012

The Manager
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051

Dear Sirs,

DHANBANK

Sub : Compliance of Clause 31(d) of the Listing Agreement

Please find enclosed a copy of the proceedings of the 85th Annual General Meeting of the Bank held on 27 September 2012.

This is for your records.

Thanking you,

Yours faithfully,

Ravindran K Warrier
Secretary to Board &
Company Secretary

DhanlaxmiBank

Proceedings of the 85th Annual General Meeting of Dhanlaxmi Bank Limited held on 27th September 2012, at 3.00 P.M, at Kosthubham Auditorium, Thrissur, 680001.

Members Present: 386

Directors Present: 5

1) **Mr. Ghyanendra Nath Bajpai-Chairman**
2) **Mr. P.G. Jayakumar-Managing Director & CEO**
3) **Mr. K. Srikanth Reddy**
4) **Mr. Shailesh V Haribhakti**
5) **Mr. S. Santhanakrishnan-Chairman, Audit Committee**

In Attendance

Mr. Ravindran K Warrier, Secretary to Board & Company Secretary

By Invitation:

1. Mr. Sudhir Pillai, representing Walker Chandiok & Co., Statutory Auditors

2. Dr.K.S.Ravichandran, KSR&Co., Company Secretaries, Coimbatore,

No. of Proxies present: 9

Mr. Ghyanendra Nath Bajpai, Chairman presided over the meeting. Chairman ascertained whether there was proper quorum and on confirmation thereof by the Company Secretary, the Chairman called the meeting to order.

The meeting began with a prayer by Mr. Krishna Kumar V S.

The Chairman requested the members to observe silence for a minute as a mark of respect to the souls of the departed shareholders, employees and other well-wishers of the Bank.

When called upon by Chairman, Mr. Ravindran K Warrier, Company Secretary announced that 163 valid proxies from shareholders holding 1,26,14,272 shares have been lodged. The number of invalid proxies received was 23 representing 1,23,302 shares.

Thereafter the Chairman introduced the Directors on the dais.

The Chairman delivering his speech outlined the global economic scenario. He also highlighted the performance of banking sector in India and our Bank.

With the consent of the Shareholders present, the Notice of the 85th Annual General Meeting dated 27 August 2012, circulated to the shareholders, was taken as read.

The Chairman proceeded to take up the business items in the order of the notice.

1. Item No.1 of Notice: To consider and adopt the Balance Sheet as at 31st March 2012 and Profit and Loss account for the year ended on that date and the Report of the Board of Directors and Auditors thereon.

When called upon by Chairman and in compliance with Section 230 of the Companies Act, 1956, Mr. Ravindran K Warrier, Company Secretary read out the Auditors' report for the year ended 31 March 2012.

The Chairman invited the shareholders to raise their queries, if any.

Mr. T. S. Rajamany, a Shareholder showed his protest against the Management by sarcastically saying thanks to the Chairman and his team for contributing a very good performance by making a the huge loss of Rs.116 Cr., which was highest in the history of Dhanlaxmi Bank.

Mr. Ramankutty. K. R expressed his feelings over the present share value of the Bank and asked the Management to clarify the reason for the huge loss of Rs. 116 Cr. He also wanted to know whether the Statutory Auditors have given any information about this loss in advance. He enquired of the Management that whether there was any chance for the recovery during this financial year. He also advised the Management to reduce the operating cost and travelling expenses by inducting Directors and appointing Auditors from Kerala, as the Bank is known as Thrissur based Kerala Bank.

Mr. C. K. George, a Shareholder expressed his anguish over the huge loss incurred by the Bank. He added that the reason for this loss mentioned in the Annual report and in the Chairman's report was not convincing. According to the Chairman's opinion the reason for the loss was International Economy was under peril and European Union is tightening, which was not convincing, he said. According to him this would also have affected all other Kerala based Scheduled Commercial Banks like South Indian Bank, Catholic Syrian Bank and Federal Bank, but these Banks are making huge profits. He asked the Management to clarify why only the Dhanlaxmi Bank was affected. He added that he came to know from the banking persons who were working in Mumbai branches that there was a great deal of frauds had occurred in the Bank and the Management was not willing to disclose who had done it. In his opinion it was very difficult for a Bank like Dhanlaxmi Bank to suffer a loss of Rs.116 Cr. within a year. He asked the Management whether there were any representatives from Reserve Bank of India in the Board, if so, what their role was. It was their duty to control and guide the Bank. He also added that there was news in the National Media that a group of Directors were deliberately bringing down the share value of the Bank and in the near future they will swallow the Bank. He

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informed that for the past three Annual General meeting, he repeatedly requested the Chairman and the Board of Directors to nominate at least one Kerala based Local Director to the Board of Directors of the Bank. He also requested the Chairman to have a convincing explanation for his views.

Mr. Mohan, a shareholder expressed his concern over the huge loss and he did not want to know the global things but the local things which directly happened to the Bank for making such a heavy loss.

Mr. Chidambaran, a shareholder, informed that he is fully agreeing with the other shareholders views/ concerns and requested Chairman to furnish a convincing reply.

Mr. Akilesh made a request to recommend a minimum dividend out of reserves of the Bank to reinforce confidence of the shareholders.

Thanking the shareholders for expressing their concern on the performance of the Bank, Chairman answered their queries one by one.

Picking up the threads, Chairman said that all the shareholders have raised the query regarding the loss in the Bank and to clarify the cause for the loss, he stated that during the year 2011-12, the performance of the Bank fell short of expectations. He added that in the past, the Bank was growing at a very fast pace for which there was a need for investment in infrastructure, manpower and technology. When income was not able to keep pace with the expenses and the environment disturbed the growth rate of the Bank, it resulted in loss during this financial year. He added that we had 70% of y-o-y growth and when the growth was in place everything was fine. The high growth of the Bank needed increased capital, but at that point in time suddenly there was a serious market difficulty in raising the capital. We could not raise the capital and we had a bit difficulty of liquidity issue. Due to this liquidity issue, we could not sanction additional advances and therefore the income could not be generated. Hence the loss has incurred. He added that we have taken steps to scale down the infrastructure, reduce the manpower substantially and have taken various cost cutting measures. All the expenditures are recorded in the balance sheet, which was audited by the Statutory Auditors and they had given an 'Unqualified Report'.

He stated that the Bank Management and the Board had the vision to make the Bank become big. We started growing. If the environment had not turned negative, we could have raised the capital, gone with higher pace of growth, increased the income. Despite the negative results seen in the past, the Bank could get numerous awards. He assured that Management is working hard and hopefully the Bank would turn around this year itself. Chairman assured that the MD & CEO and his team was working assiduously to turnaround the Bank and is expected to show a positive result by the end of the financial year.

Regarding share price, Chairman mentioned that nobody could predict the market. Market has something to do with the sentiment. He added that the share price of every bank has come down; our Bank's share price also came down but much more because of the loss incurred to the Bank. He added that this was some kind of sentimental issue and informed the members that the book value of the shares is around Rs.80. There is

significant amount of reserves and capital sitting in the balance sheet. Chairman once again assured that the MD & CEO and his team is now working hard to turnaround the Bank in this financial year itself.

Regarding Statutory Auditors, Chairman informed that we had 2 renowned auditors. They had not found any wrong accounting practices and had not pointed out that the Bank would incur loss. We have a representative from RBI as an Observer and guidance from RBI is always available. We have not failed on that part. He remembered that the Bank had faced similar situations in past also and the Bank could survive and emerge successful. He added that this is God's Bank and has been here for 85 years and would continue for years to come. Management is working hard for improving the growth of the Bank.

He informed that we had recommended a panel of 3 auditors, one from Kochi, one from Hyderabad and one from Mumbai. But Reserve Bank has approved the auditor from Hyderabad. We had no particular preference for Auditors from North India and had not even recommended any firm from North India.

Regarding dividend, Chairman informed that any dividend means a payout, which will have a strain on Capital Adequacy and the Board is not willing to recommend any dividend. Chairman advised the shareholders to have patience for a while, as the Management is working hard to make profit by the end of this financial year 2012-2013.

Concluding his reply, Chairman stated that the whole team of Management and Board of the Bank are now working very hard to take our Dhanlaxmi to greater heights. He thanked all the shareholders for their valuable support, confidence and trust reposed on the Bank.

Thereafter, Mr. Srikantan Suryanarayanan proposed the following resolution as an Ordinary Resolution, which was seconded by Mr. V.R. Mahadevan.

"**RESOLVED THAT** the Balance Sheet of the Bank as at 31 March 2012 and Profit and Loss Account for the year ended 31 March 2012 annexed thereto and the report of the Auditors' dated 30 May 2012 with Directors' Report 25 August 2012 attached thereto be and are hereby adopted".

The Chairman put the resolution to vote by show of hands. All the shareholders gave assent to the motion, except three shareholders who expressed their dissent. The Chairman declared that the resolution stands passed by a majority of votes.

2. Item No. 2 of Notice: To declare dividend for the year 2010-11:

Chairman stated that the Board of Directors had not any recommended any dividend for the Financial Year 2011-2012.

3. Item No. 3 of Notice: To appoint a Director in place of Mr. K. Srikanth Reddy who retires by rotation and offers himself for re-appointment.

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Chairman informed that as mentioned in the notice, Mr. K. Srikanth Reddy, who retires by rotation, offers himself for re-appointment.

Mr. G. Mahadevan proposed the following resolution as an Ordinary Resolution, which was seconded by Mr. C. K Narayanan Namboodiripad.

"**RESOLVED THAT** Mr. K. Srikanth Reddy, be and is hereby appointed as a Director whose period of office shall be liable to determination by retirement of Directors by rotation".

The Chairman put the resolution to vote by show of hands. All the shareholders gave assent to the motion, except two shareholders who expressed their dissent. The Chairman declared that the resolution stands passed by a majority of votes.

4. Item No.4 of Notice: To appoint a Director in place of Mr. Shailesh V Haribhakti who retires by rotation and does not offer himself for re-appointment

Chairman informed that as mentioned in the notice, Mr. Shailesh V Haribhakti, who retires by rotation, did not offer himself for re-appointment.

5. Item No.5 of Notice: Appointment of Statutory Central Auditors for the year 2012-13 and to authorize the Board to fix their remuneration.

Chairman informed that the Board of Directors of the Bank has recommended to the Reserve Bank of India for appointing M/s. P.B. Vijayaraghavan & Co., Chennai as Central Statutory Auditor of the Bank for the year 2012-13 from the panel of following three Audit Firms -
1) M/s. P.B.Vijayaraghavan & Co., Chennai,
2) M/s.R.G.N.Price & Co., Ernakulam and
3) M/s.CNGSN & Associates, Chennai
In the order of preference, as Central Statutory Auditor of the Bank, pursuant to Section 30 (1A) of the Banking Regulation Act, 1949, upto the conclusion of the next Annual General Meeting.

We submitted a fresh panel to RBI at their advice for their consideration, the Board had recommended the following names at its meeting held on 17.09.2012;

1. M/s. Krishnamurthy & Krishnamurthy, Cochin
2. M/s. Sagar & Associates, Hyderabad
3. M/s. Kirtane & Pandit, Mumbai

RBI vide letter dated September 17, 2012 has conveyed their approval for the appointment of M/s. Sagar & Associates, Chartered Accountants, Hyderabad as the Statutory Auditors of the Bank for 2012-2013 for their first year.

Thereafter, Mr. V.R. Mahadevan proposed the following resolution as an Ordinary Resolution, which was seconded by Mr. C.K. Narayanan Namboodiripad.

"**RESOLVED THAT** M/s. Sagar & Associates, Chartered Accountants, Hyderabad, be and is hereby appointed as the Statutory Auditor of the Bank upto the conclusion of the next Annual General Meeting and that the Board of Directors be and is hereby authorised to fix their remuneration".

The Chairman put the resolution to vote by show of hands. All the shareholders gave assent to the motion, except one shareholder who expressed his dissent. The Chairman declared that the resolution stands passed by a majority of votes.

6. Item No.6 of Notice: Appointment of Branch Auditors

Mr. D. Ananthasubramanian proposed the following resolution as an Ordinary Resolution, which was seconded by Mr. M. Vasudevan.

"**RESOLVED THAT** pursuant to the provisions of Section 228 and other applicable provisions, if any of the Companies Act, 1956 ("Act"), the Board be and is hereby authorized to appoint as Branch Auditors of any branch office of the Bank, whether existing or which may be opened hereafter, in consultation with the Bank's Auditors, any person(s) qualified to act as Branch Auditor within the provisions of Section 228 of the Act and to fix their remuneration".

The Chairman put the resolution to vote by show of hands. All the shareholders gave assent to the motion, except one shareholder who expressed his dissent. The Chairman declared that the resolution stands passed by a majority of votes.

7. Item No.7 of Notice: To amend the Clause 10 of the Employee Stock Option Scheme of the Bank.

Mr. C.K. Narayanan Namboodiripad proposed the following resolution as a Special Resolution, which was seconded by Mr. V.R. Mahadevan.

"**RESOLVED THAT** the approval of the shareholders of the Bank be and is hereby accorded to amend the Clause 10 of the scheme, existing vesting option of The Dhanalakshmi Bank employees Stock Option Scheme (ESOP Scheme), full details whereof have been furnished as per particulars furnished in the explanatory statement given hereunder in respect of this item of business".

The Chairman put the resolution to vote by show of hands. All the shareholders gave assent to the motion, except two shareholders who expressed their dissent. The Chairman declared that the resolution stands passed by a majority of votes.

8. At the request of Chairman, Mr. P.G Jayakumar, MD & CEO spoke by thanking share holders and other well wishers of the Bank for their solid support and confidence shown to the Bank all along. He solicited their continued patronage to take the Bank to greater heights.

Mr. P.G. Jayakumar MD & CEO informed the shareholders that the Board had given him responsibility to lead the Dhanlaxmi Bank, which is known as God's own Bank in



God's own country. He added that in the past few years we have gone through a very tough time and we all have to forget that and have to move ahead.

As per the instructions of the Board and RBI, the Management has crafted a turnaround plan, which has been approved by RBI and Board. He informed that as per the said plan we have achieved more than what we have estimated in the said plan in the first quarter. If we evaluate the quarterly results we could find that our loss has been reduced to Rs.11 Cr. He promised that Dhanlaxmi Bank will climb the heights of progress within 6 months.

He also informed that all the news regarding Dhanlaxmi Bank, which appeared recently in Medias was completely fake and baseless. As all know Dhanlaxmi Bank has strong fundamentals and all of our shareholders are well educated to know the facts. He also informed that the Bank's NPA is very low and the reserves are at a high level. We have mobilized Rs.360 Cr. premium only by issuing Rs.20 Cr. Shares, which resulted in raise of our Capital from Rs.340 Cr. to Rs.800 Cr. This is the very single reason that we have increased our book value. He also mentioned that our footprints across the nation have increased and now we are making herculean efforts to bring our Bank to the path of success.

9. Vote of thanks:

Mr. G. Mahadevan proposed the vote of thanks as follows:

Mr. G. Mahadevan, Former General Manager & CEO of Dhanlaxmi Bank said that it gave him a great pleasure to propose a vote of thanks to this august audience. He suggested the Management to have a control over the operational cost including paying high salary to the top Executives. He also expressed his concern that while declaring Quarterly results whether the Top Executives had made an enquiry as to what all items are over expended and needs control. He advised the Management to desist from unwanted expenses and to closely monitor the operational expenses. He also requested Management to nominate a Director from Thrissur, as the Bank is a Thrissur based Bank.

He told that the Bank will grow faster under the able guidance of Mr.G.N.Bajpai, Chairman, Mr. P.G. Jayakumar, MD & CEO other Directors and employees of the Bank. He also thanked the shareholders for their great trust and support given to the Bank in its growth and progress. He also requested the Management to take the Bank to greater heights and declare at least a minimum dividend in the coming year. He concluded by thanking shareholders for giving him an opportunity to deliver the vote of thanks.

As all business of the notice having been concluded, the meeting was dissolved at 4.30 p.m.

10.10.2012

Sd/-
G N BAJPAI
CHAIRMAN