

SH: 115/ 2023-24

September 17, 2023

The General Manager Department of Corporate Services <b>BSE Limited</b> I Floor, New Trading Ring Rotunda Building, P J Towers Dalal Street Fort, Mumbai – 400 001	The Manager, Listing Department, <b>National Stock Exchange of India Limited</b> 'Exchange Plaza', Bandra - Kurla Complex Bandra (E), Mumbai – 400 051
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Dear Sir,

**Sub: Resignation of Sri. Sridhar Kalyanasundaram, Independent Director**

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Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby informed that Sri. Sridhar Kalyanasundaram (DIN-02732352), Independent Director of the Bank, has resigned from the Board of Directors of the Bank w.e.f 16<sup>th</sup> September, 2023 (i.e, the date of receipt of letter of resignation by the Bank).

The letter of resignation of Sri. Sridhar Kalyanasundaram, detailing his reasons for the resignation, is enclosed herewith.

Sri. Sridhar Kalyanasundaram does not hold directorship in any other listed company.

Please take the same on record.

Thanking you,

Yours faithfully,

**Venkatesh.H**  
**Company Secretary & Secretary to the Board**

**Information as required under Regulation 30 – Part A of Para A of Schedule III of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015**

Reason for change	Sri. Sridhar Kalyanasundaram (DIN-02732352), Independent Director of the Bank, has resigned from the Board of Directors of the Bank w.e.f 16 <sup>th</sup> September, 2023 (i.e, the date of receipt of letter of resignation by the Bank).
Date of cessation	16th September, 2023 (i.e, the date of receipt of letter of resignation by the Bank)
Detailed reason for resignation / letter of resignation	Letter of resignation of Sri. Sridhar Kalyanasundaram enclosed herewith
Directorship in any other listed company	Nil

From

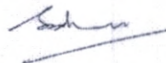
Sridhar Kalyanasundaram  
Independent Director (DIN: 02732352)  
Dhanlaxmi Bank Ltd.,  
Thrissur, Kerala.

To

The Board of Directors  
Dhanlaxmi Bank Ltd  
(CIN: L65191KL1927PLC000307)  
Thrissur, Kerala.

Sirs/Mesdames

1. I was appointed to the Board of Directors as an Independent Director on the 5<sup>th</sup> of December 2022, and confirmed of the same by the Shareholders at the 95<sup>th</sup> AGM of the Bank held on the 30<sup>th</sup> December 2022.
2. I have ever since my appointment as above, been applying myself more than diligently and vociferously stating my case on the many issues that have so far been discussed at the various Board Meetings and the Meetings of the Committees of the Board where I am a member, as I was having little or no support from the other members of the Board on the various issues affecting the Bank – mainly due to lack of depth of knowledge in banking and also due to the factionalism in the Board !!
3. There are many instances where despite the value of the inputs given, my inputs have been deliberately negated / avoided / overruled by the other members of the Board, just to support the belligerent attitude of the MD & CEO – who is on public record (in the vernacular press) that he cares little for shareholders and the directors. I am not the only or even the first director to face his wrath for not towing his line, as many had left rendering this Board legally inconsistent with required composition.
4. The specific instances in the following paragraphs are probably the drivers of my decision to quit rather than fight a lone battle where the other members of the board are either incapable of comprehending the impact of the issues or are deliberately siding with the MD & CEO, for reasons known only to them.
5. Rights Issue:
  - a. The Rights Issue of the Bank – was approved by the Board of the Bank on the 17<sup>th</sup> March 2022, and had to be held up for over 9 months since then due to the various issues at the Board, including the status of the Board itself 'lacking composition required to transact the Rights Issue' till the 95<sup>th</sup> AGM of 30<sup>th</sup> December 2022 - the delay due to the two writ-petitions and resultant 'compromise settlements', etc.
  - b. Despite that, from the 6<sup>th</sup> of January 2023, the those of us on the Equity Issuance Committee (EIC) had applied ourselves with gusto to get the issue of the Block, and I



personally had raised 81 queries on the then-submitted version of the Issue Agreement proposed with the Issue Manager. It is even today unresolved, despite various legal inputs from different quarters, and 'compromise meetings' held by the Chairman of the EIC in the months of June/July.

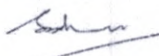
- c. I have been recording my DISSENT at every meeting where it was attempted to be cleared either through a bulldozer approach or through an ambush approach [where the EIC proceedings would be attempted to be adopted at the next ensuing Board Meeting without even its (EIC) Minutes of the Meeting being prepared and agreed to].
- d. When this did not work, the powers that be had openly threatened me with being 'sacked from the Board'. The records of the Bank regarding the EIC proceedings from January 2023 till July 2023, when the last of such meetings were held, will stand witness to my stand.

#### 6. Capital Enhancement of the Bank

- a. I had always been advising my colleagues on the Board, and the executive of the Bank, that the proposed Rights Issue based infusion of INR 130 Crores is not sufficient if the Bank was to remain competitive and relevant.
- b. I had vide my email of the 24<sup>th</sup> July 2023 (10:23) addressed a detailed note to Mr. Sreesankaran Radhakrishnan, the Chairman of the Audit Committee of the Board, to include my proposal 'to enhance the Authorized Capital of the Bank from the current position of INR 400 Crores to INR 5000 Crores'. This was denied by the gentleman concerned, vide his email of 27<sup>th</sup> July 2023 (09:08) stating that "QUOTE:
  - i. We already have a rights issue pending for clearances from Directors and unless that is fast forwarded and cleared, I do not see the urgency to take up this proposal at this stage.....UNQUOTE"
- c. However, the Secretarial Department of the Bank introduced item no D. 52 in the Agenda of the 7<sup>th</sup> Board Meeting held on the 4<sup>th</sup> September to "enhance the authorized capital of the Bank from INR 400 Crores to INR 500 Crores" under the caption "Alterations to the AoA". The 7<sup>th</sup> Board Meeting was chaired by the very same Sreesankaran Radhakrishnan who had rejected my note of the 24<sup>th</sup> July for want of clearance of the pending rights issue but had no qualms in accepting a modified version of the same proposal directly into the Board Agenda !!
  - i. This Agenda Item was cleared despite my objections in the said board meeting and is now even a part of the AGM Notice for approval by the Shareholders.
  - ii. Such is the quality of the conduct of a few board members who deliberately stifle discussions by other members of the Board – me, in particular.

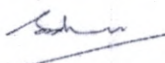
#### 7. Conduct of Board and Committee Meetings of the Bank

- a. I had advised the irregularities in the manner that the MD and the Company Secretary were conducting the Board and Committee Meetings deciding on the Agenda and the frequency of the same, at both the meetings of the Independent Directors. It was brushed away as 'not a serious issue'.
- b. This attitude of the some of the Independent Directors led to the Management deliberately avoiding holding of some of the Committee Meetings despite the Board having approved the recommendation to hold the Risk Management Committee



meetings at a monthly interval – alternating between Risks Review and Policy Review on alternate months.

- c. The MD is on record dismissing the same as 'only perception of risks by some senior executives' at the RMCB that was belatedly held in June, after a gap of 4 months, despite regulatory guidelines of a quarterly frequency, at least!!
  - d. Despite my calling for a meeting as a director as provided under Article 60 (b) of our AoA, the Management and the Company Secretary denied the convening of the meeting citing the non-availability of one director (Mr. Sreesankaran Radhakrishnan who hurriedly sent a mail to all of his 'inconvenience' on the date requested itself) – despite my having called for the meeting 7 days in advance !!!
8. Probity and lack of consensus on the various 'whistle-blower' issues raised to the Directors:
- a. This Board has been in receipt of numerous complaints of both the anonymous and the signed varieties but has been singularly focused on dismissing all of them as "the habit in this Bank over time".
  - b. There is no consensus on demanding action by the CVO on any or all of them.
  - c. In fact the CVO appointment itself proved a challenge and had to be completed only recently and that too due to pressure from the Regulators and not as a function of the Board Oversight itself.
  - d. Some of such complaints have included even issues like "material suppression of facts by some board members" themselves (including references to items like not declaring an Income Tax Raid in his Fit and Proper Statement by a particular Board Member)
  - e. The collective responsibility of the Board in its failure to rectify such cannot be wished away and I personally do not want to be a part of a group that practices a belief that you can wish such behavior away !!
9. Unethical conduct of the Bank's businesses
- a. While the OTS scheme has been put to use to a great deal of success by the Banking sector at large – to effectively deal with the NPA positions – it has been seen being used even where it had no impact on the NPA position of the Bank, by its executives.
  - b. The classic case in reference is to the recent OTS of the Jalan Hotels of Kolkata, where the OTS was used to release a guarantor – even after the original debtor had been cleared by the consortium of banks and lenders – and where your Bank held a Registered Charge against the property given as guarantee to the original debtor. Despite my advising the Board of the hugely discounted offer (INR 5.25Cr against a reported market value of INR 35Cr), I was voted out 6 to 1, and surprisingly even one of the additional directors appointed by the regulators supported the proposal brought to the Board !!
10. Unilateral arrogation of powers by the Board despite Legal Advises
- a. On the 31<sup>st</sup> May 2023, a shareholder registered an allegation that the MD & CEO's appointment in 2021 was not in order and fraught with discrepancies and therefore he had ceased to hold the position with effect from the AGM date, i.e. 29<sup>th</sup> September 2021



- b. The Bank's management took recourse to referring the matter to a legal counsel (Cyril Amarchand Mangaldas, Mumbai) – and obtained a legal opinion that pronounced that the allegations of the shareholder had no merit.
- c. The Bank advised the said shareholder, on the 16<sup>th</sup> June 2023 – a minority shareholder holding just about 55000 shares – that it had obtained a legal opinion on the matter raised by him and found no merit in his allegation
- d. I had specifically objected to this – despite voracious protests even from the additional directors appointed by the regulators – and had sought a second opinion and highlighted the need to referring the matter to an adjudicating authority, instead of just basing the Bank's response on Legal Opinions
- e. This was continuously and consistently objected to by other directors as well – which made me and another colleague on the Board, Shri Rajagopalan Nair, extend the due diligence by reference to many other secretarial and legal experts to obtain a fair view on the allegations raised by the Minority Shareholder, as is laid down as the responsibility of Independent Directors on the Board
  - i. (The Honorable Governor of RBI, Shri Shakthi Kanta Das – had highlighted the same in his address of the 29<sup>th</sup> May 2023, to the Members of the Boards of All Private Sector Banks, in the Mumbai meeting convened by RBI)
- f. I had finally on the 4<sup>th</sup> September submitted to the Board Meeting the advice given that the Board of Directors need to refer the matter to the Adjudicating Authority – in this case the ROC-Kochi and the RD at Chennai.
- g. This was denied at the Board Meeting and in order to ensure that my POV was recorded, I had followed it up with an email on the 4<sup>th</sup> September (23:07) {appended in full, below}, to all members of the Board that in the event of the Bank not referring the matter to the Adjudicating Authority as advised, I will be constrained to refer the matter myself in my capacity as the Independent Director

Reproduction of my Email of the 4<sup>th</sup> September 2023:

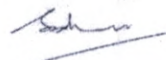
Dear All,

Further to our discussions so far on how the Bank has so far unilaterally dealt with the Allegations raised by a Shareholder on the "discrepancies in the Appointment of the MD & CEO", and as advised by me against such an approach time and again to this Board, I forward herewith the Legal Opinion tendered to us (Mr. Rajagopalan Nair sir and Myself), by Shri Kannan Rajagopalan, FCS, Practising Company Secretary, Chennai.

As you will observe from the detailed opinion submitted by Shri Kannan Rajagopalan, it is categorically evident that **there is indeed merit in the Allegations raised by the Shareholder**. I have to add here for the record, that this opinion is the output of a number of discussions with other senior legal/secretarial practitioners, to ensure that the same is sound in law and under secretarial practices.

This Legal Opinion now places the Bank with two dimensionally different opinions - one denying the allegations made by the Shareholder, and the other finding merit in the same.

We are further advised that **we will have to refer the matter to an adjudicating body** - which will be able to advise the Bank on the status of Allegations Made by the Shareholder, and the steps the Bank will have to take further to the adjudication. We have been advised that the competent adjudication authority in such matters would be the Registrar of Companies, Kochi and the Regional Director, Ministry of Company Affairs, Chennai.



I therefore request the Company Secretary to write to the ROC, Kochi and the RD, Chennai - stating the case and forwarding the two different legal opinions. In the absence of any immediate action by the Company Secretary, as already advised to the Board, I will be addressing the said adjudicating authorities, in my personal capacity as an Independent Director of the Bank.

Further, this matter, as stated at today's Board Meeting, is a material item that needs to be included in the Directors' Report that we need to submit to the Shareholders as a part of our submissions for the proposed AGM of the 30th Sept 2023.

I am forwarding the invoice for the professional services rendered (~~XXXXXXXXXXXX~~ ble taxes) to the Company Secretary separately for effecting payment to Shri Kannan Rajagopalan / his firm.

Thanks and regards.

- h. I am left wondering if the pressure is being brought (through an action by a Majority Shareholder! !) on me to avoid such an escalation that might nullify the Bank's Unilateral Activity of simply advising the 'minority shareholder that his allegations have no merit' and particularly when there is an opportunity to rectify the same prospectively, if and when the current incumbent's contractual tenure comes to an end in January 2024!!!

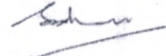
In view of the above, I wish to step down from the position conferred on me as an Independent Director by the Board on the 5<sup>th</sup> December 2022 and further confirmed/ratified by the Shareholders at the 95<sup>th</sup> AGM held on the 30<sup>th</sup> December 2022.

The largest shareholder in the Bank, Dr. Ravi Pillai had graciously supported through his e-voting on the proposal at the 95<sup>th</sup> AGM (as I now understand from information from the protagonists who requested my filing the papers for the Independent Directorship). It now appears that the same largest Shareholder has proposed otherwise, at the 96<sup>th</sup> AGM. I am thankful for his support to me at the 95<sup>th</sup> AGM and similarly thankful for his views/request at the 96<sup>th</sup> AGM. These are large shareholders who hold a majority stake in the Bank and have to be respected at all times.

Accordingly, I wish to advise you, of my resignation from the Board of the Bank with effect from 15<sup>th</sup> September 2023, and from the membership of the following committees of the Board:

1. Risk Management Committee of the Board – which I had the privilege of Chairing
2. Audit Committee of the Board – as a member
3. Credit & Business Committee of the Board – as a member
4. Large Value Fraud Monitoring Committee of the Board - as a member
5. NPA Monitoring Committee of the Board – as a member
6. Corporate Social Responsibility Committee of the Board - as a member
7. IT Steering Committee of the Board - as a member
8. Redressal Committee of the Board - as a member
9. Equity Issuance Committee of the Board - as a member

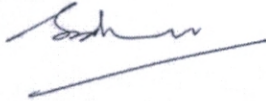
I am copying this to the SEBI as well, as I do not want any modification to my resignation letter while the Bank files the same under the LODR obligations.



I wish the Bank a successful tenure and pray to Lord Vadakkunnathan – the local deity and form of Shiva in Thrissur – that the Bank will be able to ward off the next round of predatory acquisitions that might be the effect if the proposed Rights Issue is taken forward, on my exit from the Board.

The Biggest Asset of the Bank is its Banking License itself – and its hoary history of 96 years. Hopefully, it will be able to see its centennial year.

My prayers are for the same.



Sridhar Kalyanasundaram

DIN: 02732352

Chennai – 603108

Dated: 16<sup>th</sup> September 2023.

CC:

1. SSM – RBI – Thiruvananthapuram
2. RD – RBI – Thiruvananthapuram
3. CGM – DOR – RBI – Mumbai
4. ED – DOR – RBI – Mumbai
5. Deputy Governor for Regulations – RBI – Mumbai
6. Governor's Office – RBI – Mumbai
7. ROC – Kochi
8. RD – Dept of Corporate Affairs – Chennai
9. GM – Dept of Finance & Investigations – SEBI – Mumbai
10. ED – SEBI – Mumbai
11. DR. RAVI PILLAI – the largest shareholder of the Bank

