

DIRECTORS' REPORT 2017-2018

**To
The Members**

1. The Board of Directors has great pleasure in presenting the Annual Report along with the Audited Financial Statement of Accounts and the Cash Flow Statement of the Bank for the year ended March 31, 2018.

2. Performance Highlights

- i. Savings Bank Deposits of the Bank increased from 36,239 cr as on 31st March, 2017 to Rs. 36,471 cr as on 31st March, 2018 registering a growth of 0.64%.
- ii. CASA Deposits of the Bank decreased from Rs. 43,222 cr as on 31st March, 2017 to Rs. 42,485 cr as on 31st March, 2018 registering a reduction of 1.71%. CASA as percentage of Total Deposit has increased from 37.93% as on 31st March, 2017 to 40.03% as on 31st March, 2018.
- iii. Priority Sector Advances decreased from Rs. 36,992 crore as on 31st March, 2017 to Rs. 35,949 crore as on 31st March, 2018, registering a negative growth of 2.82%. Priority Sector Advances as of 31.03.2018 42.27% of Adjusted Net Bank Credit (ANBC) surpassed the regulatory target of 40%.
- iv. Agricultural Advances increased from Rs. 16,375 crore as on 31st March, 2017 to Rs. 18,179 crore as on 31st March, 2018, registering a Y-o-Y growth of 11.02%. Agriculture Advances constituted 21.38% of Adjusted Net Bank Credit (ANBC), surpassing the regulatory target of 18%.
- v. MSME advance under priority sector decreased from Rs. 15,316 crore as on 31st March, 2017 to Rs. 11,638 crore as on 31st March, 2018, registering a negative growth of 24.01%.
- vi. Total Retail advance has registered Y-o-Y negative growth of 0.46 % and stood at the level of Rs. 13,240 crore as on 31st March, 2018 as against Rs.13,301 crore as on 31st March, 2017.
- vii. Bank's Operating profit for the FY 2017-18 has decreased by 15.76 % to Rs. 1,171 cr as compared to Rs. 1,390 cr for the FY 2016-17.
- viii. Interest income on investments for the FY 2017-18 has decreased by 7.71% to Rs. 2682 cr as against Rs. 2,906 cr for the FY 2016-17.
- ix. Capital to Risk (Weighted) Asset Ratio (CRAR) under Basel III has decreased and stood at 11.09 % as on 31st March, 2018 as compared to 11.39% as on 31st March, 2017.
- x. Tier I capital ratio of the Bank decreased from 9.05% as on 31st March 2017 to 8.81% as on 31st March 2018.
- xi. Cash recovery in NPA accounts stood at 931.24 cr in FY 2017-18 compared to Rs. 1,119.87 cr in FY 2016-17.
- xii. Recovery in Written-Off accounts increased from Rs. 115 cr for FY 2016-17 to Rs. 142 cr in FY 2017-18.
- xiii. Cost of Deposits reduced from 6.43% for FY 2016-17 to 5.62% for FY 2017-18 and as a result Interest Expenses on Deposits reduced from Rs. 7,213 cr as on 31st March, 2017 to Rs. 5,955 cr as on 31st March, 2018.
- xiv. Key Statistics

(Rs. In Crore)

Particulars	As of 31 st March	
	2017	2018
Deposits	1,13,943	1,06,130
Advances	77,538	74,239
Business Mix	1,91,481	1,80,369
Investments	40,190	38,040
Priority Sector	36,992	35,949
Agriculture	16,375	18,179

Particulars	As of 31 st March	
	2017	2018
Retail	13,301	13,240
MSME-PS	15,316	11,638
Gross NPA	12,619	16,361
Net NPA	7,735	7,839
% of Gross NPA to Gross Advance	16.27	22.04
% of Net NPA to Net Advance	10.66	11.95

3. Income Analysis

The financial performance of the Bank for the year 2017-18 is summarized below:

(Rs. In Crore)

Particulars	As of 31 st March	
	2017	2018
Operating Profit	1,390.21	1,171.16
Interest Income	10,181.67	8,932.23
Interest Expenditure	7,773.31	6,456.41
Net Interest Income	2,408.36	2,475.82
Non-Interest Income	1,251.39	1,163.52
Provisions and contingencies	2,253.84	3,094.31
Profit before Tax	[1,275.36]	[3178.75]
Provision for Taxes	[411.73]	[1255.60]
Net Profit	[863.63]	[1923.15]

4. Key Financial Indicators

(in %)

Particulars	As of 31 st March	
	2017	2018
Net Interest Margin	2.00	2.19
Return on Assets	[0.67]	[1.59]
Cost to Income Ratio	62.01	67.82
Provision Coverage Ratio	50.56	60.20
Cost of Deposit	6.43	5.62
Cost of Funds	6.54	5.84
Yield on Advance	8.98	8.00
Yield on Fund	8.03	7.51
Yield on Investments	7.57	7.26
Return on Equity	[13.50]	[26.17]
Earning Per Share (Rs.)	[11.89]	[18.06]
Book Value (Rs.)	65.42	27.45

5. During the year 2017-18, Bank has not opened any new Branch, due to Prompt Corrective Action (PCA) enforced on Bank by Reserve Bank of India. Further, Bank has merged two Branches in other existing Branch and Branch network of the Bank stood at 1,872 (including 72 Satellite Offices). All the branches of the Bank are covered under CBS.
6. During the year 2017-18, Bank has established 3 new E-Smart centers taking the total to 98. In E-Smart centers, customers can deposit cash, deposit cheques, withdraw cash, get their passbooks printed and access their account through internet banking facility on 24*7 basis.
7. During the year 2017-18, Bank installed 1775 POS and has launched a new mobile banking channel i.e. Unified payment Interface (UPI) promoted by NPCI.

8. Dividend

Board of Directors has not recommended any Dividend for the FY 2017-18.

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9. Net Worth and CRAR

9.1 Net Worth of the Bank stood at Rs. 5108.04 cr as on 31st March, 2018.

9.2 CRAR :

(in %)

	Basel III	
	March 2017	March 2018
CRAR Tier - I Capital	9.05	8.81
CRAR Tier -II Capital	2.34	2.28
Total	11.39	11.09

10. Changes in Board of Directors

10.1 The Board of Directors of the Bank, as on 31st March 2018, comprised two Executive Directors, being whole-time Directors and six other directors as under:

- One Government of India Nominee Director,
- One Reserve Bank of India Nominee Director;
- Two Directors appointed by Govt. of India; and
- Two Shareholders' elected Directors;

10.2 **Shri Ashwani Kumar**, Chairman & Managing Director, ceased to be a Director of the Bank w.e.f. 31.12.2017, after completion of his 5 years tenure in terms of Notification No. F.No.4/4/2011-BO.I. dated 09th November, 2012 received from Government of India, Ministry of Finance, Department of Financial Services. The Board of Directors placed on record their appreciation for the exemplary leadership and direction provided by Shri Ashwani Kumar, during his tenure as Chairman & Managing Director on the Board of the Bank.

10.3 **Smt Trishna Guha**, Executive Director, retired from the Board on August 31, 2018, upon attaining superannuation. The Board of Directors placed on record their appreciation for valuable contribution made by Smt Trishna Guha, during her tenure as Executive Director on the Board of the Bank.

10.4 **Dr. Rajesh Kumar Yaduvanshi** has been appointed as Executive Director in terms of Notification No. F.No.4/5/(6)2017-BO.I. dated 09th October, 2017 received from Government of India, Ministry of Finance, Department of Financial Services w.e.f. 09th October, 2017 for a period of three years or until further orders, whichever is earlier under Clause (a) of Sub-Section (3) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with sub-clause (1) of clause 3 and sub-clause (1) of clause 8 of The Nationalized Banks (Management & Miscellaneous Provisions) Scheme, 1970.

10.5 **Shri Bankim R Desai**, Workmen Employee Director, appointed under Clause (e) of Sub-section (3) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with sub-clause (1) & (2) of clause 9 of The Nationalized Banks (Management & Miscellaneous Provisions) Scheme 1970/1980, w.e.f. 19.09.2014, ceased to be a Director of the Bank from 19.09.2017 on completion of his tenure. The Board of Directors placed on record their appreciation for valuable guidance provided by Shri Bankim R Desai, during his tenure as Director on the Board of the Bank.

10.6 **Dr. Umesh Bellur**, Shareholder Director, elected under clause (i) of sub-section (3) of Section 9 of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, w.e.f. 24th March, 2015, ceased to be a Director of the Bank upon completion of his tenure of three years on 23rd March, 2018. The Board of Directors placed on record their appreciation for valuable guidance provided by Dr. Umesh Bellur, during his tenure as Director on the Board of the Bank.

10.7 **Shri V Chandrasekaran**, Shareholder Director, elected under clause (i) of sub-section (3) of Section 9 of Banking Companies (A Acquisition and Transfer of Undertakings) Act, 1970/1980, w.e.f. 24th March, 2015, ceased to be a Director of the Bank upon completion of his tenure of three years on 23rd March, 2018. The

Board of Directors placed on record their appreciation for valuable guidance provided by Shri V Chandrasekaran, during his tenure as Director on the Board of the Bank.

10.8 **Dr. Yasho Verdhan Verma**, Shareholder Director, elected under clause (i) of sub-section (3) of Section 9 of Banking Companies (A Acquisition and Transfer of Undertakings) Act, 1970/1980, w.e.f. 24th March, 2015, ceased to be a Director of the Bank upon completion of his tenure of three years on 23rd March, 2018. The Board of Directors placed on record their appreciation for valuable guidance provided by Dr Yasho Verdhan Verma, during his tenure as Director on the Board of the Bank.

10.9 During the Financial Year under review, in terms of Clause (i) of sub-section (3) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, the Bank conducted an Extraordinary General Meeting of Shareholders of the Bank other than the Central Government, for election of two Shareholder Directors at Sir Sorabji Pochkhanawala Bankers' Training College, Mumbai on March 27, 2018. After the successful exercise of election, two Shareholder Directors i.e. (i) Dr Yasho Verdhan Verma and (ii) Shri Rakesh Kumar, were elected as Shareholder Directors representing shareholders other than Central Government. These Directors have hold office for three years w.e.f. March 28, 2018.

11. Directors' Responsibility Statement

The Directors, in preparation of the annual accounts for the year ended March 31, 2018, confirm the following:

- That in the preparation of the annual accounts, the applicable standards have been followed along with proper explanation relating to material departures.
- That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank during the period.
- That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India for preventing and detecting frauds and other irregularities.
- That they have prepared the annual accounts on a going concern basis.

Acknowledgments

12.1 The Board of Directors expresses its patronage and sincere thanks to the Bank's valued customers, shareholders and well-wishers for their valuable contribution towards the progress of the Bank and seek their continued support and co-operation in future.

12.2 The Board of Directors acknowledges with gratitude, the timely advice, valuable guidance and support received from Government of India, Reserve Bank of India & other regulators.

12.3 The Board of Directors is also thankful to the Financial Institutions / Banks and Correspondents for their cooperation and support to the Bank.

12.4 The Board of Directors wish to place on record, the deep appreciation of the valuable contribution made by the staff, at all levels, for the progress achieved in Bank's business. The Directors look forward to their continued cooperation in faster business development and progress of the Bank.

For and on behalf of Board of Directors

Place: Mumbai

Date: 31.05.2018


(Ramesh S. Singh)
Executive Director