

DIRECTORS' REPORT

(A) OVERVIEW

The Bank has incurred a loss of Rs.35.58 crores during 2019-20 as compared to Rs.30.47 crores during 2018-19 on account of higher NPA provisions of Rs.14.22 crores as against Rs.8.00 crores made during the previous corresponding year.

Continuing losses over a period of 5 years resulted in wiping out the entire net worth of the Bank, mainly on account of provision for NPAs and overhead expenses.

(B) WAY FORWARD

The Bank has somehow managed to contain the overhead expenses as a result of following measure:

- (i) Net Interest Income – The Bank has not been in a position to book positive net interest income on account of non-realization of interest on loans turned NPAs. However the negative growth has been reduced due to alignment of interest payment on deposits with the interest being paid by SBI.

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- (ii) Rationalization of Branch Premises – Premises of 6 branches/ administrative office have been relocated to smaller places during 2019-20 which would result in yearly savings of Rs.2.00 crore, the full impact will be effected during 2020-21 as during the process of shifting rentals were permitted for both the premises.

- (iii) Staff matters – Gross Salary of all the employees (Basic+DA+VDA+HRA+CCA+Conveyance) has been reduced by 20% w.e.f. 30/09/2020 which will result in annual savings of Rs.2.50 crores per year.

- (iv) Franking Business - Efforts are being made to boost the avenues of other income like franking etc. Out of 15 branches, 11 branches have been authorized to conduct franking business. Special focus has been imparted to mobilize the business from the corporate clients by providing doorstep services. As a result the Bank has generated a net income of Rs.1.29 crore during 2019-20. Further under the current dispensation, maximum permissible limit for individual franking has been restricted to Rs.5000/- per instrument. In

order to diversify the business model, the Bank has been nominated as sub agent of IDBI Bank under eSBTR, which may accrue additional income during the current year.

(C) NPA MANAGEMENT

NPA management has been a big challenge as most of the accounts turned NPAs long back and the activities for which loan was sanctioned almost cease to exist. A well thought strategy has been chalked out to provide right direction to the operating staff as given hereunder:

- (a) Group / Cluster Approach – Instead of addressing individual customer, it has been decided to bring all the customers under Group / Cluster so as to have common approach for recovery. Under the revised approach, the Bank could approach majority of the borrowers effectively.
- (b) Legal Remedies – All out efforts have been initiated for recovery as per law like SARFAESI, Arbitration, Criminal etc. Legal impediments, if any, have been addressed to augment the recovery measures.
- (c) Action Plan – Action plan for recovery has been drawn for each and every account so as to ensure focused attention.
- (d) OTS – One time settlement scheme has been extended in deserving cases for expeditious recovery.

Above-mentioned measures have brought the desired impact as under:

- (i) Possession of Assets - Progress under SARFAESI Action is given below:

(Rs.in crores)

	Number	Principal O/S	M V of Security
Symbolic Possession	30	75	84
Physical Possession	7	23	30

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- (ii) Cash Recovery –TheBank has made a cash recovery of Rs.10.95 crore during 2019-20.
- (iii) NPA Coverage Ratio – It has gone up from 69.63% to 81.40% for the period ended 31.03.2019 to 31.03.2020 respectively. The current level is much higher than the industry average.
- (iv) Current lockdown has slowed down the process of recovery through legal means as most of agencies like DRT, District Magistrate, Registrar Office, involved in recovery process have not started the process

(D) Other Achievements

- (i) Rationalization of Ancillary Business –
The Bank has identified the areas, which may not result in achieving the break evens like DEMAT etc. and it would be closed after completing the regulatory approvals.
- (ii) Process Redesign –
Certain processes have been redesigned to cut costs and to bring efficiency in the system. Cash collection from the branches to the nodal branch is being outsourced to HDFC Bank, which will not only reduce the costs but also result in reducing the cash retention level at the respective branch.
- (iii) Conversion of Deposits into Equity –
In terms of RBI Circular dated 23rd January 2009 on financial restructuring of UCBs, a portion of the deposit of individual depositors above Rs.1 lakh may be converted into equity. Likewise, a portion of the deposits of the institutional depositors may be converted into Innovative Perpetual Debt Instrument (IPDI), which is eligible for inclusion as Tier I capital.

Board of Directors after due deliberations with majority of the depositors proposed to convert part of deposits into equity and IPDI. Accordingly, proposal for modification of Byelaws for revising the authorized capital from Rs.30.00 crore to Rs.250.00 crore has been submitted to Central Registrar for their approval.

Suraksha Scheme has been launched for depositors having deposits above Rs.1 lakh wherein 50% of deposits will be converted into equity and remaining 50% will be repaid over a period of 4 years in equal instalments.

Consent Forms for converting 50% of their deposits into equity from 3912 customers aggregating deposits of Rs.183.87 crore had been received. (includes consent from 494 customers aggregating Rs.2.67 crore having deposit less than Rs.1 lakh).

However, RBI vide letter dated 4th February 2020 raised the limit of insurance cover for depositors in insured banks from the present level of Rs.1 lakh to Rs.5 lakh per depositor. Our Bank hence made a reference to RBI for further clarifications, which has been clarified recently only on 1st July 2020. Pending clarification from RBI, Suraksha Scheme, which was kept in abeyance, will now get the required thrust for taking it to the target of Rs.260 crores.