

**Speech delivered by Shri A.S. Rajeev, Managing Director and CEO, Bank of Maharashtra at the Sixteenth Annual General Meeting of the Bank held on 27<sup>th</sup> June, 2019:**

---

***Dear Shareholders,***

I have great pleasure in welcoming you to the Sixteenth Annual General Meeting of your Bank and in placing before you the Annual Report for the Financial Year 2018-19. The Directors' Report and the Audited Financial Statements for the year ended 31<sup>st</sup> March 2019 are already with you and with your permission, I take them as read.

At the outset, I would like to thank you, for your continuous trust, support and patronage, which enabled the Bank to progress through the challenging situations.

Before I deliberate on the Bank's performance, I would like to touch upon the economic and banking environment, in which your Bank performed during the year 2018-19.

**Economic and Banking Scenario:**

Global growth has shed some momentum in 2018 in an environment of volatile crude prices, geopolitical tensions and escalating trade wars. Financial conditions especially in the emerging market economies have tightened with capital outflows and asset price volatility.

Domestically, a pickup in GDP growth took hold in the first half of 2018-19, having shrugged of the transient effects of demonetization and implementation of the Good and Services Tax. A strong revival in bank credit growth during 2018-19 by private and public sector banks and NBFCs suggests an overall improvement in the health of the Indian Financial System.

Indian banks are increasingly focusing on adopting integrated approach to risk management. Reserve Bank of India (RBI) has decided to set up Public Credit Registry (PCR) an extensive database of credit information which is accessible to all stakeholders. The Insolvency and Bankruptcy Code is expected to strengthen the banking sector.

**Outlook for FY20:**

The improvement in global economic conditions offers greater scope for policymakers to shift from a short-term focus that is inevitably part of coping with crises, towards addressing longer-term challenges and eliminating deep-rooted barriers to development. India's GDP growth is expected to accelerate moderately to 7.5 per cent in Fiscal Year 2019-20, driven by continued investment strengthening, particularly private-improved export performance and resilient consumption. The private consumption expenditure is expected to receive a boost from remonetisation and lower borrowing costs. Rise in crude prices could however play a spoilsport. The various proposals in the Union Interim Budget 2019-20 with regards to launching of Pradhan

Mantri Shram Yogi Mandhan, PM-KISAN program, more emphasis on technical jobs by focus on schemes like MUDRA, Start up India and Stand-Up India and Empowering MSME and Traders and thus supporting domestic trade and services will act as a catalyst for growth. Banking sector is also expected to be benefitted by the amendment in Insolvency and Bankruptcy Code and the innovations in form of massive adoption of Artificial intelligence and Blockchain technology being undertaken by the FIN-TECH companies.

In this back drop, your Bank will be focusing more on the bottom line of the business.

Now, I place before you the highlights of the performance of your Bank during the year 2018-19, on various parameters.

### **Performance highlights of the Bank:**

#### **Business**

The total business of the Bank stood at Rs. 234117 Crore as on 31.03.2019 as against Rs 233626 Crore on 31.03.2018.

The total deposits were Rs. 140650 Crore as on 31.03.2019, as against Rs. 138981 Crore as on 31.03.2018; with the share of low cost deposits to total deposits at a record high of 49.65%.

Gross Advances stood at Rs 93467 Crore as on 31.03.2019 as against Rs. 94645 Crore as on 31.03.2018 as a result of Bank's policy to focus more on retail advances instead of dependence on big corporate advances.

The Bank's lending to Retail, Agriculture & MSME sector stood at Rs. 47652 Crore as on 31.03.2019 as against Rs. 47347 Crore as on 31.03.2018.

The Credit Deposit Ratio of the Bank as on 31.03.2019 stood at 66.45%.

Business per Employee increased to Rs. 18.13 Crore as on 31.03.2019 as against Rs. 18.07 Crore as on 31.03.2018 and the business per branch was Rs.128 Crore as on 31.03.2019 as against Rs. 127 Crore as on 31.03.2018.

#### **Income and Earnings:**

The total income stood at Rs. 12397 Crore during the year ended 2018-19 as against Rs. 12602 Crore during the previous year. During this period, the interest income on advances stood at Rs. 6567 Crore as against Rs 7073 Crore during the previous year, while non-interest income stood at Rs. 1547 Crore at year ending March 2019 as against Rs 1506 Crore during the previous year.

The Operating profit during the year ended 31.03.2019 stood at Rs 2198 Crore as against Rs. 2191 Crore as on 31.03.2018. The Bank incurred Net Loss of Rs 4784 Crore during the year ended 31.03.2019 as against Net loss of Rs. 1146 Crore during the year ended 31.03.2018 on account of higher provisions.

Your bank achieved net profit of Rs. 72.38 Crore for the Q4 of FY19 as against net loss of Rs. 113.49 Crore in Q4 of FY18.

Your bank has provision coverage ratio of 81.49% as on 31.03.2019 as against 58.71% as on 31.03.2018 which is one of the highest among peer Banks.

### **Cost, Yield & Margin:**

The Bank could contain the cost of deposit by continuing its strategy of shedding high cost deposits and focusing on CASA & retail deposits. The cost of deposits has declined to 4.99 % for the year ended 31.03.2019 as against 5.31% for the year ended 31.03.2018.

The yield on advances was 7.68 % while Net interest Margin stood at 2.53 %for the year ended 31.03.2019 as against 2.32% for the year ended 31.03.2018.

Cost to income ratio stood at 63.83% for Q4 FY 19 as against 57.39% for Q4 FY 18. This is mainly due to increase in depreciation on revalued assets by Rs. 82 Crore and increase in staff cost mainly on account of AS 15.

### **Asset Quality:**

Containing NPA was a challenge for the entire Banking sector. Your bank did exceptionally well to contain the adverse trend. Due to capital infusion by GoI & constant efforts in recovery, Gross NPAs and Net NPAs stood at 16.40 % and 5.52 % respectively as on 31.03.2019 as against 19.48% and 11.24% respectively as on 31.03.2018.

Your Bank has set up “Asset Recovery Cells (ARC)” at all zonal offices to ensure focused efforts for upgradation and NPA recovery. Twelve Asset Recovery Branches (ARBs) have also been set up across the Zones for large NPA a/cs more particularly where legal actions are in progress so as to make focused follow up.

Further, Bank has established Stressed Assets Management Vertical by way of a separate department at Head Office under which Bank has started four Stressed Assets Management (SAM) branches in Delhi, Mumbai, Hyderabad and Pune, where NPAs with balance of Rs. 5 Crore and above is monitored. Focused follow up is undertaken to improve NPA recovery.

Your Bank has also established Loan Tracking Cell where Bank undertakes telephonic follow up on daily basis with borrowers of stressed accounts / slippages and repayment of overdues has enabled in improving recovery and upgradation of NPAs.

Your Bank has also set up separate Cells at its Head Office for identification of Wilful Defaulters, increasing recovery in Written Off accounts, gearing up the actions under DRT / SARFAESI Acts.

The total reduction in NPAs by a way of recovery, upgradation, and write off was Rs. 3109 Crore in 2018-19. Cash recovery was Rs. 2570 Crore as compared to Rs. 1960 Crore during 2017-18.

#### **Priority Sector lending and Financial Inclusion:**

The outstanding advances under Priority Sector as on 31st March 2019, aggregates to Rs. 40712 Crore constituting 41.52 % of the Adjusted Net Bank Credit (ANBC). Thus achieved mandatory target of 40%. The Bank is Convener of the State Level Bankers' Committee (SLBC) for Maharashtra and has the Lead Bank responsibility for 7 districts in Maharashtra, namely Aurangabad, Jalna, Nasik, Pune, Satara, Palghar and Thane, playing a key role in monitoring credit flow to priority sectors in the state.

To release the stress on farmers and to bring them out of clutches of indebtedness, many State Governments have announced debt waiver schemes. Being lead Bank and SLBC convener for the State of Maharashtra, your Bank has successfully implemented "Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana (CSMSSY)", providing benefits to 1.91 lakh farmers. Performance of Bank in Pradhan Mantri MUDRA Yojana (PMMY)

Bank is giving special attention to credit needs of the non-farmenterprises engaged in manufacturing, trade and services up to Rs. 10 Lakh. With the introduction of Pradhan Mantri MUDRA Yojana (PMMY) Bank is giving special attention to this segment. Loans given to this segment for income generation are known as MUDRA loans under Pradhan Mantri MUDRA Yojana (PMMY) and branded accordingly.

Bank sanctioned Rs. 2130 Crore under PMMY against the target of Rs. 2550 Crore as on 31.03.2019. Bank achieved 83.53% of target allotted by Government under PMMY.

Bank has launched MUDRA Card on 16.9.2015 and till date issued 10079 MUDRA Cards as on 31.03.2019.

#### **Performance of Bank in Pradhan Mantri Jandhan Yojana (PMJDY):**

Under Pradhan Mantri Jandhan Yojana, the Bank has opened 56.30 lakh accounts as on 31.03.2019 and had issued 12.88 lakh "RuPay ATM debit cards" to account holders.

**Capital Adequacy Ratio:**

The Capital Adequacy ratio stood at 11.86% as on 31.03.2019 against 11.00% as on 31.03.2018, well above the required level of 10.875 % as per Basel III norms. The Common Equity Tier 1 Ratio stood at 9.88 % as against 8.97% as on 31.03.2018.

**Branch Network:**

During the year, the Bank rationalized 14 branches taking total number of branches to 1832 as on 31.03.2019, spread across all the states and 4 union territories. The branch network includes specialized branches in the area of foreign exchange, Government business, Treasury and International Banking, Industrial Finance, Small Scale Industry and Hi-tech agriculture, Pension Payment, Self Help Groups etc.,

**Human Resource Management:**

During the year 2018-19 the Bank has recruited 520 Officers in Scale I, 4 Security Officers, 1 Fire Engineer, 17 Chartered Accountants 4 Civil Engineers, 2 Electrical Engineers in Scale II, 2 Credit Risk Officers, 1 Market Risk Officer, 1 Civil Engineer, 1 CM Balance Sheet, 7 Officers for Project Appraisal, in Scale IV.

The Bank has also recruited 290 Clerks. Thus Bank had a committed and dedicated workforce of 12913 as on 31.03.2019. During the same tenure safety and skill upgradation training was provided to 8337 employees

**Technology initiatives:**

The Year 2018-2019 was a Technology Upscaling year for the Bank. The Bank had taken up & successfully initiated /upscaled various Major IT Projects during 2018-19 which are enumerated as under:

1. Your Bank has installed 607 Self Update Pass Book Printing Kiosks, 106 Bunch Note Acceptor Machines and 75 Cash Recyclers at various locations across the Bank. The same shall be continued to ensure fulfilment of customer requirements/ satisfaction.
2. The Bank has a tie up with BSNL for upgrading the Bandwidth of the existing Leased Lines to 2 Mbps. As on 31.03.2019, bandwidth of 1640 leased lines is upgraded to 2 Mbps. In order to make our systems more resilient, bandwidth is made available from Additional Network Service Providers including Airtel, Vodafone, Sify and TCL. So far 813 branches have dual service providers.
3. Bank has achieved integration of SWIFT with CBS System on 27.04.2018.

4. Your Bank has implemented National Common Mobility Card (NCCM) using Near Field Communication for issuance of NCCM Cards.
5. Digital Media Signage System with the Queue Management System for token display with sound announcement is made live on Pilot basis at Shivaji Nagar Branch, Pune on 16.01.2019. The Integrated Queue Management System will be implemented across 100 branches initially.
6. The ISO 27001: 2013 certification was achieved for our IT division covering HO-IT, DC, DR and CBS Project Office in August 2015. Bank is ensuring continued compliance & successfully completed the Surveillance Audit for the continuation of ISO 27001: 2013 Certification for the year 2016-17, 2017-18 and recently 2018-19 as well.
7. Next generation Corporate Internet Banking Module is implemented w.e.f. 05.09.2018 for better customer experience. Each Corporate user can have user specific per transaction, per day limit option available. Corporate Users can also avail View only facility for "Enquiry and Statement Viewing". Automated Internet Banking Password Generation and Forgot Password functions are available
8. Centralized e-Surveillance system is implemented at 15 more ATMs taking the total count to 475 ATMs being covered under this system; ensuring safety and security of ATMs & Customers.
9. Bank has implemented Public Financial Management System (PFMS) which is used by Government Agencies to make payments directly into the recipients Bank Account. As on 31.03.2019, Bank had 46323 Accounts under PFMS & the total balance in these accounts was Rs. 4936.11 Crore
10. NPA and Recovery: Following initiatives were undertaken:
  - a. Mobility application for Branches / Zones / Head Office to assist in daily monitoring of NPA.
  - b. Internal web based applications for credit monitoring / recovery of NPA, potential NPAs for current month, fresh slippages for current month, SMA0 , SMA1,SMA2, Stock statement expiry cases, working capital limit expiring in next 30 days, time barred documents, turnover comparison on working capital, security expired and security not available cases, insurance not available or expired, valuation expired, various exceptions in case of data elements related to CIBIL rejections, BG expired etc.,

- c. Various internal dashboards on details of progress in NPA Recovery, Sector Wise Position of NPA and Recovery, various schemes on recovery.
- d. Online OTS Portal
- e. Asset Classification and provisioning in CBS for managing the IRAC movement on daily basis as well as monthly stamping
- f. SMS to borrowers for EMI reminders
- g. The Bank has initiated implementation of Loan Life Cycle Management software (LLMS) with Document Management System (DMS) and Early Warning Signals (EWS) solutions.
- h. Honeypot solution: Bank has taken initiative and deployed deception technology as a part of Proof of Concept (POC) for active threat hunting

**Subsidiaries:**

The Maharashtra Executor & Trustee Co. Pvt. Ltd. is the only subsidiary of the Bank and it is engaged in providing services in the area of trusteeship business management, execution of wills, guardianship of minor's properties etc. The net profit of METCO for F.Y. 2018-19 is Rs. 82.74 lakh.

**Risk Management:**

Your Bank has its Risk Management Framework in accordance with RBI Guidelines and it benchmarks itself against industry best practices. This enables it to identify measure, monitor and manage risk efficiently.

**Looking Ahead:**

With the moderate monsoon prospects and low inflation, rural demand is expected to gain momentum. The interim budget focuses on supporting the needy farmers, economically less privileged, workers in the unorganised sector and salaried employees, while continuing the Government of India's push towards better physical and social infrastructure. This is in sync with various reform measures initiated by the government to boost infrastructure and generate employment opportunities, we expect the credit growth to gain momentum in the current year. Implementation of GST is also expected to bring about buoyancy in tax collections in addition to the transparent tax regime.

The momentum generated during FY18-19 will be carried forward to FY19-20 as well. Your Bank will be in profit in ensuing FY under the guidance of RBI and Government's reform program. In order to overcome present challenges, Bank had embarked upon strategies, i.e. aggressive NPA recovery, augmenting CASA and rebalancing of advances in favour of retail portfolio. Strategic focus on people, processes, products and technology will help to overcome from present critical situation and provide a strong foundation for growth in years to come.

I hope with joint efforts of all, Mahabank will become customer focused profitable Bank.

**Acknowledgement:**

I take this opportunity to express my deep sense of gratitude to the shareholders, customers and other stakeholders for their support and patronage. I am thankful to the Government of India and Reserve Bank of India for their valuable guidance and support. I also thank SEBI and other Regulatory Authorities, stock exchanges for their co-operation. I acknowledge contributions made by auditors, legal advisors, consultants and correspondents and valuable support of various state governments, banks, financial institutions and media. I would like to place on record the valuable contribution of my colleagues on the Board in steering the course of the Bank. I also acknowledge the deep sense of commitment on the part of my officers and workmen colleagues in the Bank.

**Conclusion:**

Finally, I thank you, our shareholders, for your continuing support and your investment, also thankful to all my staff of "Mahabank Family" for their unstinted commitment and contribution to the overall development of the Bank.

I assure you, every member of Bank's team is focused on prudently managing the credit risk, reducing operating expenses, and improving net interest and profit margins to ensure future success and the long-term value to shareholders.

Thank you very much.

(A.S. Rajeev)

**Managing Director and CEO**