

**Speech delivered by Shri. Allen C. A. Pereira, Chairman and Managing Director, Bank of Maharashtra, at the Seventh Annual General Meeting of the Bank on 9th July 2010**

Dear Shareholders,

I have great pleasure in welcoming you all for the Seventh Annual General Meeting of your Bank.

The Annual accounts, Balance Sheet and Directors' Report for the year ended 31st March 2010 are already with you and with your permission I take them as read.

I shall briefly touch upon the economic environment in which your Bank is operating.

**Economic Scenario**

The Global economy is slowly recovering from the economic slow down which had set in, in 2008. The International Monetary Fund (IMF) has revised its estimation of growth in global output from 3.9 to 4.2 percent in 2010. Volume of the world trade is expected to grow by 7 per cent during 2010 as against contraction of 10.7% during the previous year. Most of the recovery in developed and also emerging economies is due to huge government expenditure which would pose a downward risk for public debt management.

The Indian Economy along with Chinese Economy is leading the global economic recovery. Our GDP growth during 2009-10 was 7.4 per cent as against 6.7% recorded in the previous year. The growth in the previous year was mainly on account of Government expenditure. However, the growth during 2009-10 is led by strong industrial performance and continued resilience of services sector. Capacity utilization in major infrastructure sectors is near or above 100 per cent. Increase in investments is a harbinger of improvement in demand which is evident from spiraling prices.

Our country is returning to high growth path. With indications of nearly normal monsoon in 2010 and expectations of continued recovery in domestic as well as global demands, good performance of industrial and services sectors the GDP growth is projected well above 8 per cent during 2010-11.

**Financial Sector**

Growth in Money Supply (M3) during the year was at 16.8 per cent as against 18.9 per cent a year ago. Scheduled Commercial Banks posted growth of 17.4 per cent in aggregate deposits during 2009-10 as against 19.8 per cent in the last year. Liquidity position was comfortable and the RBI initiated measures for tightening liquidity by raising CRR by 75 basis points during 2009-10 and with further hike of 25 basis points each in April and July 2010. Simultaneously, various measures were initiated to control inflation.

The Foreign Exchange Reserves of the country at USD 279 billion as at 31st March 2010 were higher than March 2009 reflecting a positive perception of the Indian economy overseas.

Credit expansion was 16.98 per cent and the credit deposit ratio was marginally lower at 72.22 per cent compared to 72.32 per cent a year ago. Investments by banks were mainly to meet the SLR requirements.

### **Working results for the year 2009-10**

I am very happy to inform that the Bank has performed well under most of the parameters. The Bank achieved two important milestones during the year -namely, it crossed the business level of Rs. 1,00,000 crore as on 31st March 2010 and migrated all its branches to core banking solution. These achievements have placed Bank of Maharashtra in the league of mid-sized banks with enhanced capabilities to meet competition and fulfill customer expectations. I attribute these achievements to the untiring efforts of the members of staff, the patronage of our 13 million customers, shareholders and support of the Board of Directors.

### **Platinum Jubilee Celebrations**

The year 2009-10 coincides with the commencement of our Platinum Jubilee year. The Platinum Jubilee celebrations were launched by Smt. Pratibha Devi Singh Patil, Her Excellency, the President of India on 26.11.2009 at Pune. Having crossed the total business of Rs 1,04,230 crore in March 2010, the Bank then had set for itself the goal of achieving total business of Rs. 1,10,000 crore by the end of the Platinum Jubilee Year i.e. on 16.09.2010. Having crossed a total business of Rs.1,04,000 crore in March 2010, The Bank has put in place various strategies, plans and programmes to achieve the goal.

As a part of the Platinum Jubilee celebrations, the Bank has adopted 75 backward villages for integrated development under Mahabank Platinum Jubilee Gramin Unnati Prakashya besides facilitating 25,000 new self help groups.

Now I briefly review the performance and activities:

### **Deposits**

Total deposits increased to Rs.63,304 crore as on 31.3.2010, recording a growth of 21.14 per cent. The share of low cost deposits i.e. current and savings deposits improved to 36.91 per cent, which is among top 5 in PSU banks. The Bank reduced the proportion of high cost deposits from 12.42 per cent of total deposits as at 31.3.2009 to 6.23 per cent as at 31.3.2010.

Increasing the customer base is one of the thrust areas of the Bank and accordingly new products and services were launched to suit the requirements of the customers and one million new accounts have been added during the year.

### **Advances**

Gross advances were Rs.40,926 crore as on 31.3.2010 as against Rs.34,817 crore as on 31.3.2009 thereby showing a growth of 17.55 per cent. The banking industry as a whole registered a credit growth of 16.98 per cent.

The Bank has maintained a diversified credit portfolio and has been catering to the credit requirements of all sectors of the economy viz., agriculture, industry, infrastructure, trade, exports, small business and retail customers.

Credit to Micro, Small and Medium Enterprises ( MSME), which is a thrust area, reached the level of Rs. 4,069 crore as on 31.3.2010 from Rs.3,074 crore as on 31.3.2009. The growth was 32.39 per cent. The Bank was presented with Shri. Y.B.Chavan Memorial Award for promoting Micro, Small and Medium enterprises in Rural areas by the Maharashtra Industrial and Economic Development Association at the Maharashtra Economic Summit held at Mumbai on 12.03.2010.

### **Investments**

Investments of the Bank stood at Rs.21,324 crore as on 31.3.2010 as against Rs.18,382 crore as on 31.3.2009. Investments in Held to Maturity (HTM) category formed 77.94 per cent of total investments.

### **Income**

Total income was Rs. 5,327 crore showing a rise of 11.17 per cent. Interest income was Rs.4,736 crore registering a growth of 10.35 per cent.

Other income increased by 18.2 per cent to Rs. 591 crore during the year from Rs. 500 crore during the previous year.

### **Profitability**

Operating profit of the Bank improved to Rs.815 crore in 2009-10 from Rs. 794 crore during the previous year.

The Bank has posted a net profit of Rs. 439 crore compared to Rs.375 crore during the previous year.

### **Dividend**

The Board of Directors have recommended a dividend of Rs. 2/- per share ( i.e. 20% ) for the year 2009-10 as against Rs. 1.50 per share ( 15%) paid for the previous year. I request the shareholders to approve the same.

### **Capital adequacy**

The Bank has raised capital funds of Rs. 600 crore during the year comprising of Tier I capital of Rs. 70 crore in the form of Innovative Perpetual Debt Instruments and Tier II capital of Rs. 530 crore by way of upper and lower tier II bonds. The capital adequacy ratio at 12.78 per cent is comfortable and above the Regulatory prescription.

The Bank has approached the Government of India for infusion of additional capital funds of Rs. 1500 crore. Out of this, we are expecting to receive Rs. 590 crore in the form of perpetual preference share capital during the second quarter of this fiscal. The capital infusion by the Government will enable the Bank to further strengthen the capital base to support a business growth of over 20 per cent.

### **Other efficiency ratios**

Business per employee has improved to Rs. 7.62 crore during 2009-10 from Rs.6.39 crore during the previous year.

As on 31.03.2010, the Book value of the share increased to Rs.49.11 and the Earning per share rose to RS. 10.21.

The Bank's endeavours to enhance shareholder value have borne fruit in the form of consistent growth in market capitalization. Average market capitalization at Rs.961 crore at March 2009 has improved to Rs. 2221 crore at March 2010.

### **Social Banking**

Lending to agriculture, small scale industries, professional and self employed, small business, for weaker sections and for education constitutes 40.88 per cent of Adjusted Net Bank Credit. The Bank considers these lending activities as opportunities to bring into its fold large sections of unbanked population who have capabilities for economic advancement and thereby facilitate sustainable economic growth. Your Bank will be reaching out to 1,215 unbanked villages with population of over 2000 as part of its Financial Inclusion Plan.

During the year, your Bank has disbursed credit of Rs.3,834 crore to the farm sector. Outstanding advances to agricultural sector were Rs.6,250 crore as on 31.3.2010 forming 17.95 per cent of Adjusted Net Bank Credit.

The Bank is actively participating in all the developmental programmes for poverty alleviation. The Five Mahabank Self Employment Training Institutes set up by the Bank are providing vocational training to unemployed youth for taking up self-employment ventures.

The Bank is the Convenor of the State Level Bankers' Committee for Maharashtra. The Bank has Lead Bank responsibility for 6 districts in Maharashtra viz., Aurangabad, Jalna, Nasik, Pune, Satara and Thane. The Bank has been providing credit counseling and guidance to farmers in Vidarbha through Mahabank Shetkari Jagruti Abhiyan. 45 Farmers' Clubs have been formed during the year taking the total of such clubs to 215.

### **Non performing assets**

As you know, the period of last 12 to 18 months of post economic slow down, also experienced deficient rains and drought like situation in many parts of the country, affecting earnings of industrial, agricultural and services sectors. As a result, the banking sector experienced higher than normal loan slippages. As on 31.03.2010, our gross NPAs rose to Rs. 1,210 crore as against Rs. 798 crore as on 31.03.2009. Net NPAs also increased to Rs. 662 crore at the end of the year from Rs. 272 crore at the end of previous year. In percentage terms, gross NPAs formed 2.96 per cent of gross advances and 1.64 per cent of net advances.

However, the Bank made a total cash recovery of Rs. 254 crore from NPAs and due to consistent efforts could facilitate upgradation of NPAs to performing assets to the tune of RS. 54.49 crore.

### **Branch network**

During the year, 33 branches were opened. With a total network of 1,453 branches the Bank has its presence in 22 states and 2 Union Territories. The Bank has opened 14 branches during the current fiscal and has 78 licences on hand to establish new branches including 5 in the North East. With this, your Bank would be having presence in 25 states and 2 union territories of India

### **Customer service**

The endeavours to make banking with Bank of Maharashtra a consistently satisfying experience continue aided by Technology. Customer service is a major parameter for

assessing performance of our personnel and also business units. Members of staff are encouraged to be customer centric and sensitized to customer expectations through training and periodic structured interactions with customers.

### **Risk Management**

Your Bank recognizes that identifying and managing risks is fundamental to the business of banking. Accordingly the approach of your Bank to risk management is pro active. Your Bank has a well defined and comprehensive Risk Management Policy in place. The Bank is complying with BASEL II norms.

### **Human Resource**

The Bank attaches due weightage for development of human resources. The Bank has its own apex Training College, Information Technology Institute and staff training centers

which are conducting programmes both in house and on locational basis. Staff is also trained by external training institutes to sharpen their skills and upgrade their knowledge to meet the emerging challenges.

During the year 10,047 employees were trained in various aspects of banking, customer care, handling new technology, Retail and corporate lending and Risk Management.

### **Corporate Governance**

Your Bank strongly believes in ideals and importance of Corporate Governance and is committed to adherence to the best corporate governance norms while discharging its responsibilities towards various stake holders and safeguarding their interests. Your Bank endeavours to maximize the wealth of its shareholders.

In accordance with the guidelines from SEBI and RBI, your Bank has constituted committees of Directors to oversee various aspects of corporate governance. The Shareholders' / Investors' Grievances Committee of Directors oversees the redressal of grievances of shareholders and investors. The Bank has also established committees comprising of senior executives to implement good governance practices.

### **New initiatives**

The Bank has launched SMS banking, Mobile banking and Inter-net banking. A special scheme was launched in co-ordination with three stock brokers for facilitating on-line trading of shares. Depository services are extended through all branches after networking the branches under CBS.

Government business, Bancassurance and distribution of mutual funds are undertaken by branches to enhance revenue and profitability. As at the end of March 2010, the Bank has tied up with 16 mutual funds for distribution of mutual fund schemes. Tie up with Life Insurance Corporation for life policies, with United India Insurance Co. Ltd for general insurance policies and with Export Credit Guarantee Corporation (ECGC) for export credit insurance products has continued and strengthened.

### **Information Technology**

During the year the Bank rolled out 680 branches to Core Banking Solution (CBS) thereby networking all its 1453 branches.

The Bank has covered all branches under the Real Time Gross Settlement (RTGS) scheme to speed up the process of remittances and interbank payment and settlement.

### **Future Plans**

The Bank's Corporate Plan for the year 2010-11 seeks to achieve a business growth of 20 per cent and the focus will be on:

- Accelerated growth of low cost deposits and retail term deposits.
- Expansion of customer base by leveraging technology to enhance customer satisfaction
- Qualitative and diversified growth in credit including Micro credit
- Robust cash recovery and reduction in NPA level
- Quantum increase in fee based income

Suitable strategies are in place to achieve the targeted business level.

### **Acknowledgements**

On behalf of the Bank, 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. Contributions made by auditors, legal advisors, consultants and correspondents are also acknowledged.

I also acknowledge valuable support of various state governments, banks, financial institutions and media.

I would like to place on record the contribution of my colleagues on the Board through valuable suggestions and guidance in corporate governance, policy making and framing strategies for growth.

The achievements that I have highlighted have been possible because of the deep sense of commitment to corporate goals and dedication to fulfilling the expectations of all stake holders on the part of members of staff both officers and workmen and their trade unions.

While concluding, I would like to thank once again all of you, our valued shareholders for your goodwill and patronage and seek your continued support and goodwill in future also.

Thank you very much.

Pune  
July 9, 2010

**Allen C. A. Pereira**  
Chairman and Managing Director