

## Speech by Shri. A.S. Rajeev, Managing Director and CEO, Bank Of Maharashtra

18<sup>th</sup> AGM, 24<sup>th</sup> June, 2021

Dear Shareholders,

I have great pleasure in welcoming you to the **18<sup>th</sup> Annual General Meeting of your Bank** and in placing before you the Annual Report for the Financial Year 2020-21 The Directors' Report and the Audited Financial Statements for the year ended 31st March 2021 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 2020-21

### Economic and Banking Scenario

The financial year 2020-21 was a difficult year for the global economy due to outbreak of COVID-19 pandemic across the globe. The lockdowns and social distancing norms have pull down the growth momentum. Due to falling consumption, investment & exports resulted in contraction in GDP by -7.97% in FY20. The second half of FY2020-21 saw revival in economy majorly driven by Agri & Retail Segment. Further GoI and the RBI unveiled a stimulus package worth INR 20-lakh-crore (~10% of GDP), with a focus on MSME's, migrant workers, farmers, urban poor and NBFC's. The financial package aims to focus on making India self-reliant (Atma Nirbhar Bharat Abhiyan) with focus on reforms of factors of production i.e. land, labour, liquidity and laws.

### Outlook for FY22

To revive economy and to contain impact of COVID-19 pandemic, the government as per the Union Budget for Fiscal Year 2021-22 (April-March) unveiled, India's fiscal

policy stance will be growth-supportive. The Budget outlay action plan to improve the country's longer-term growth potential given increased expenditures on healthcare, infrastructure, and education. While the administration is prioritizing the economy's recovery, it is simultaneously trying to show commitment to fiscal prudence over the medium-term in order to support investor confidence. The Reserve Bank of India (RBI) has maintained its accommodative policy stance, pointing out that it would be continued as long as necessary to revive growth on a durable basis. The RBI has also pledged to continue providing ample liquidity to the economy through various facilities

The economic growth is estimated to **pick-up from Q2 of FY22** assuming that the vaccination coverage increases ensuring full scale opening of economy. Consumption and investment are expected to be severely affected in the first half of FY22, though demand will recover strongly when the pandemic is eventually contained in India. The speed of the country's vaccination program will be the key factor driving the outlook for private spending. Despite weak consumer confidence, household outlays have been picking up, yet they are expected to face a period of softness that will likely persist in the near future. The government's investment incentives and lending schemes will provide support to private sector business investment, As the impact of COVID-19 dissipates and fiscal and monetary policy support will provide the intended cushion to the economy & economic growth is expected to rebound in 2022.

Now, I place before you the highlights of the performance of your Bank during the year 2020-21, on various parameters.

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

#### **Business**

- The total business of the Bank stood at Rs. 2,81,659 Crore as on 31.03.2021 showing an **annual growth of 14.98%**

- The total deposits were Rs. 1,74,006 Crore as on 31.03.2021, as against Rs. 1,50,066 Crore as on 31.03.2021; **with the share of low cost deposits to total deposits at a record high of 53.99%.**
- Gross Advances stood at Rs. 1,07,654 Crore as on 31.03.2021 as against Rs. 94,889 Crore as on 31.03.2020 as a result of **Bank's policy to focus more on retail advances instead of dependence on big corporate advances.**
- Your Bank made a strategic decision to rebalance its advances portfolio and accordingly share of Retail, Agriculture and MSME (RAM) sector showed **an improvement to 63.15% as on 31.03.2021 from 57.28% as on 31.03.2020.**
- The **Credit Deposit Ratio of the Bank as on 31.03.2021 stood at 61.86%.**
- Business per Employee increased to Rs. 21.45 Crore as on 31.03.2021 as against Rs. 19.55 Crore as on 31.03.2020 and the **business per branch was Rs. 143 Crore** as on 31.03.2021 as against Rs. 134 Crore as on 31.03.2020

### **Income and Earnings:**

- The total income stood at Rs. 14,494 Crore during the year ended March-21, showing an **annual growth of 10.26%**. Non-interest income stood at Rs. 2625 Crore at year ending March 2021 showing **an annual growth of 59.18%**
- Operating profit for **FY21 grew by 39.01% YOY to INR 3958 crores.** Net profit stood at INR 550 crore in FY21 as against loss of INR 389 crore in FY20
- Your bank has **provision coverage ratio of 89.86%** as on 31.03.2021 as against 83.97% as on 31.03.2020.

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

- The Bank could contain the cost of deposit by focusing on CASA deposits. **The cost of deposits has declined to 4.17 % for the year ended 31.03.2021 as against 4.81% for the year ended 31.03.2020.**
- The yield on advances was 7.48 % while Net Interest Margin stood at 2.84 % for the year ended 31.03.2021 as against 2.60% for the year ended 31.03.2020.

- Cost to income ratio stood at 47.39% for FY 21 as against 51.97% for FY 20.

### **Asset Quality:**

- Containing NPA was a challenge for the entire Banking sector. Your bank did exceptionally well in improving the asset quality. Due to constant efforts in recovery, **Gross NPAs and Net NPAs stood at 7.23 % and 2.48 % respectively as on 31.03.2021 as against 12.81 % and 4.77 % respectively as on 31.03.2020.**
- 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 recovery process in NPAs with balance of Rs. 5 Crore and above is monitored.
- 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 also established separate Cells at its Head Office for identification of Willful Defaulters, increasing recovery in Written Off accounts, gearing up the actions under DRT / SARFAESI Acts.

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

- It has been the constant endeavor of the Bank to facilitate equitable and sustainable economic development by timely and hassle-free availability of credit for productive purposes to Small and Marginal Farmers, Micro and Small

Enterprises, Retail Traders, Women Entrepreneurs and entrepreneurs from economically weaker sections.

- The outstanding advances under Priority Sector (excluding investment) as of 31st March 2021, aggregated to Rs. 49,109 crore constituting 45.62% of the total credit.
- 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.
- Bank is giving special attention to credit needs of the non-farm enterprises engaged in manufacturing, trade and services up to Rs. 10 Lakhs. With the introduction of Pradhan Mantri MUDRA Yojana (PMMY), banks outreach to small borrower also improved in FY 2020-21.
- Bank sanctioned Rs 2560.38 crore under PMMY against the target of Rs. 2375 crore as on 31.03.2021. As on 31.03.2021, total MSME advances of the Bank stood at Rs 23,133 crore, registering growth of 35%.
- Bank has implemented the MSME restructuring guidelines issued by RBI and has restructured 11470 accounts amounting to Rs. 861.98 crore during FY' 2020-21.
- Bank has launched Digital lending products under colending arrangement with "Loan Tap" (NBFC) which enable end to end digitisation of MSME loans.
- Bank has a tie-up with fintech company M/s Atyati Technologies for providing end to end services to MSMEs. This tie-up would enable micro and small enterprises to access Bank facilities with ease.

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

- Under Pradhan Mantri JanDhan Yojana, the Bank has opened 68.15 lakh accounts as on 31.03.2021 and had issued 26.71 lakh "RuPay ATM debit cards" to such account holders.

To spearhead its efforts in opening PMJDY accounts the bank has now a full-fledged call center with toll free number 1800 102 2636 for redressal of PMJDY grievances. In appreciation of its efforts towards financial inclusion, the Bank was also recognized by the Govt of India in FY 2020-21 for excellent performance in the field of financial inclusion.

### **Capital Adequacy Ratio**

- The Capital Adequacy ratio stood at 14.49% as on 31.03.2021 against 13.52% as on 31.03.2020, well above the required level of 10.875 % as per Basel III norms. The Common Equity Tier 1 Ratio stood at 10.98 % as against 10.67% in the previous year.

### **Branch Network**

- During the year, the Bank rationalized 1 branch while opened 86 new branches and 36 fixed point customer points (CSPs) taking total number of banking outlets to 1964 as on 31.03.2021, spread across all the states. 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**

The Bank has put in place comprehensive HRM Policies that provides the road map for acquiring appropriate & need based human resources, recognition for better performance, career progression, welfare and retention. Thus Bank had a committed and dedicated workforce of 13,128 staff members as on 31.03.2021. Due to COVID-19 pandemic, Learning and Development (L&D) strategy has been customized for enriching employees through virtual/ online training programs, enabling them to avail these services from anywhere.

## **Technology initiatives**

The Year 2020-21 was a Technology Upscaling year for the Bank. The Bank had taken up major IT Projects and successfully initiated/up scaled the same which are enumerated as under:

MeitY - Digital Score Card: Ministry of Electronics & Information Technology (MeitY) had set a target of 42.12 crore for digital transactions and 1,03,201 for merchant onboarding on various acquirer channels of Bank. Your bank achieved the digital transactions of 41.99 Crore and merchant on boarding of 76,566 for FY 2020- 21. Your bank has maintained "Good" category performance in year ended 31.03.2021.

- Your Bank installed 1050 Self Update Pass Book Printing Kiosks, and 495 Cash Recyclers at various locations across the Bank. More number of such machines will be installed to ensure fulfilment of customer requirements/ satisfaction.
- The Bank is actively promoting BHIM Aadhaar Pay payment channel and 38,152 Merchants were on boarded as on 31.03.2021.

## **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. 2020-21 is Rs. 70.85 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:

We are entering the new financial year at a time **when all major economies are reeling under the impact of second wave of COVID-19**. The impact of the second wave of COVID-19 pandemic has been fast and widespread, and the next few months will be challenging for everyone, individuals and organizations. As **per the International Monetary Fund**, global growth is projected at 6% in 2021 largely driven by opening of economic activities in the developed economies like US & Europe.

On the other hand, the economic downturn is **not due to any structural problem in the economy, but due to an externality that has hit the pause button on the economic activity**. I am quite confident that as the COVID-19 cases have started declining and there is a focused approach for vaccination, eventually there will be of easing of lockdown, restrictions and upward movement of domestic economy. Amidst these challenging times, we continue to stay close to our customers, align ourselves to their evolving priorities and will launch newer offerings that address current imperatives. With all these strengths, I believe our business will only get better through the months ahead and we will be better positioned than ever to help our customers to lead in the new normal. As we navigate these uncertain times together with our customers, I look forward to your continued support. I hope with joint efforts of all, Mahabank will continue to remain as 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 providing long-term value to our shareholders.

**Thank you very much.**

**(A.S. Rajeev)**

**Managing Director and CEO**