

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

17<sup>th</sup> AGM, 11<sup>th</sup> August 2020

Dear Shareholders,

I have great pleasure in welcoming you to the **Seventeenth Annual General Meeting of your Bank** and in placing before you the Annual Report for the Financial Year 2019-20. The Directors' Report and the Audited Financial Statements for the year ended 31st March 2020 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 2019-20

### **Economic and Banking Scenario**

The financial year 2019-20 was a difficult year for the global economy with world output **growth growing at its slowest pace of 2.9% since the global financial crisis of 2009**. Due to falling consumption, investment & exports our economy also suffered a slowdown in GDP growth **which fell from 7% in FY2018 & 6.1% in FY 2019 to 4.2% in FY2020**. With weak economic growth, falling consumption & tax collection, the government in 2019 took many important reforms towards **boosting investment, consumption and exports**. However, the outbreak of Covid-19 in India and consequent nation-wide lockdown dampened the momentum. Bank credit growth in the year ended up at a much lower rate than was expected.

### **Outlook for FY21**

To contain COVID-19 pandemic, the government imposed a 'lockdown' with restrictions on mobility of goods and people in March'2020. The pandemic is likely to jeopardize global growth and India's economic recovery in FY21. To counter the impact of COVID-

19, the government 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. The measures announced by RBI included introducing targeted long-term repo operations, US dollar-rupee swaps, cut in cash reserve ratio and regulatory forbearance. It is expected that these measures will benefit different categories of individuals and raise **aggregate demand to trigger economic recovery in FY21.**

The economic growth is estimated to **pick-up in Q3 & Q4 of FY21** assuming that the pandemic dissipates gradually in the second half of 2020. Consumption and investment are expected to be severely affected in the first half of FY21, though demand will recover strongly when the pandemic is eventually contained in India and globally. The **lowest oil prices in more than a decade, if sustained will benefit India as a large oil importer and will also partly offset the adverse impact of COVID-19.** As the impact of COVID-19 dissipates and fiscal and monetary policy support provides cushion to the economy economic growth is expected to rebound in 2021.

Now, I place before you the highlights of the performance of your Bank during the year 2019-20, on various parameters.

## Performance highlights of the Bank

### Business

- The total business of the Bank stood at Rs. 2,44,955 Crore as on 31.03.2020 showing an **annual growth of 4.63%**
- The total deposits were Rs. 1,50,066 Crore as on 31.03.2020, as against Rs. 1,40,650 Crore as on 31.03.2019; **with the share of low cost deposits to total deposits at a record high of 50.29%.**
- Gross Advances stood at Rs 94,889 Crore as on 31.03.2020 as against Rs. 93,467 Crore as on 31.03.20 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 Retail, Agriculture and MSME (RAM) sector showed **an improvement to 57.29% as on 31.03.2020 from 50.98% as on 31.03.2019.**
- The **Credit Deposit Ratio of the Bank as on 31.03.2020 stood at 63.23%.**
- Business per Employee increased to Rs. 19.55 Crore as on 31.03.2020 as against Rs. 18.13 Crore as on 31.03.2019 and the **business per branch was Rs. 134 Crore** as on 31.03.2020 as against Rs. 128 Crore as on 31.03.2019

### Income and Earnings:

- The total income stood at Rs. 13,145 Crore during the year ended 2019-20, showing an **annual growth of 6%**. Non-interest income stood at Rs. 1,649 Crore at year ending March 2020 showing **an annual growth of 6.5%**
- Operating profit for **FY20 grew by 29.55% YOY to INR 2847 crores.** Net profit stood at INR 389 crore in FY20 as against loss of INR 4784 crore in FY19
- Your bank has **provision coverage ratio of 83.97%** as on 31.03.2020 as against 81.49% as on 31.03.2019 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 4.81 % for the year ended 31.03.2020 as against 4.99% for the year ended 31.03.2019.**
- The yield on advances was 7.23 % while Net Interest Margin stood at 2.60 % for the year ended 31.03.2020 as against 2.53% for the year ended 31.03.2019.
- Cost to income ratio stood at 51.97% for FY 20 as against 58.39% for FY 19.

## Asset Quality:

- Containing NPA was a challenge for the entire Banking sector. Your bank did exceptionally well to contain the adverse trend. Due to constant efforts in recovery, **Gross NPAs and Net NPAs stood at 12.81 % and 4.77 % respectively as on 31.03.2020 as against 16.40% and 5.52% respectively as on 31.03.2019.**
- 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.
- 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 2020, aggregated to Rs. 38,900 crore constituting 39.34% 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 2019-20.
- Bank sanctioned Rs 2,410.83 crore under PMMY against the target of Rs. 2,300 crore as on 31.03.2020. Bank achieved 102.51% of target allotted by Government under PMMY. As on 31.03.2020, total MSME advances of the Bank stood at Rs 17,164 crore, registering growth of 25.04%. The share of MSME advances in total advances stood at 18.09% as on 31.3.2020.

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

- Under Pradhan Mantri Jandhan Yojana, the Bank has opened 61.74 lakh accounts as on 31.03.2020 and had issued 19.17 lakh “RuPay ATM debit cards” to 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 DFS in FY 2019-20

### **Capital Adequacy Ratio**

- The Capital Adequacy ratio stood at 13.52% as on 31.03.2020 against 11.86% as on 31.03.2019, well above the required level of 10.875 % as per Basel III norms. The Common Equity Tier 1 Ratio stood at 10.67 % as against 9.88% as on 31.03.2019

### **Branch Network**

- During the year, the Bank rationalized 1 branch and opened 2 new branches taking total number of branches to 1833 as on 31.03.2020, 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 12,532 as on 31.03.2020. During the same tenure safety and skill upgradation training was provided to 7195 employees

## **Technology initiatives**

The Year 2019-2020 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 19.30 crore for digital transactions and 75,750 for merchant onboarding on various acquirer channels of Bank. Our bank achieved the digital transactions of 20.45 Crore and merchant on boarding of 1,06,971 for FY 2019- 20. Our Bank secured more than 70 score in 4 months and stood first among all PSU Banks consecutively for 3 months.
- Your Bank installed 807 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.
- The Bank is actively promoting BHIM Aadhaar Pay payment channel and 38,152 Merchants were on boarded as on 31.03.2020.
- The Bank received IBA Banking Technology award for Best IT Risk Management and Cyber Security Initiatives under Medium Banks category
- Digital Products Enhancement and Compliance - Internet Banking & Mobile Banking: Instant Fund Transfer - New feature of Instant Fund Transfer up to Rs. 10,000 was added in Internet Banking. Besides, the bank also introduced new feature of activating Internet Banking for all new saving accounts and also conducted various customer initiatives in order to improve digital banking service.

## **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. 2019-20 is Rs. 74.07 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 have been brought to a standstill**. The impact of the 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**, the pandemic is now expected to **weaken global economic activity substantially in 2020 with the global economy projected to contract by 4.9% in 2020**, much worse than during the 2008-09 global financial crisis.

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 whenever that externality is removed, an equally quick economic recovery will follow. 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 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 providing long-term value to our shareholders.

**Thank you very much.**

**(A.S. Rajeev)**

**Managing Director and CEO**