



Viksit Bharat@2047



REACHING THE UNREACHED

KBS Bank

Krishna Bhima Samruddhi Local Area Bank

25th ANNUAL REPORT 2024



GLOBAL SUMMIT
HYDERABAD 2024



Reaching the Unreached



Chairman, Mr. SM Farooque Shahab, receiving Award from Reserve Bank of India for 100% Digitization of CASA accounts in the State of Karnataka



Mr. TRV Satyanarayana, CGM receiving "Special Mention for Digital Banking Award" from Indian Chamber of Commerce at the ICC 2nd Emerging Asia Conclave and Awards 2024 held @ New Delhi



Aland Branch new Premises opening by Sri PN Shah a valued Customer & a philanthropist of Aland Town



Mr. PN Shah addressing the customers during the inauguration of new premises of Aland Branch





Visit of Bank's Top Executives to C- EDGE Technologies Ltd.
(Bank's Technology partner) , Office at Mumbai



Nation wide Intensive awareness
Programme Organised by Deodurga Branch



Nation wide intensive awareness
Programme Organised by Mahabubnagar Branch



Financial Awareness Programme Organised by
Narayanapet Branch during Financial Literacy Week



Financial Literacy Programme Organised by
Nagarkurnool Branch during Financial Literacy Week



Crop Loan appraisal by Branch Manager, Gadwal Branch



Handing over the sanction letter by Branch Manager, Chowdapur Branch



Explaining the Bank's deposit schemes by Vanasthalipuram Branch staff



Onboarding of a New Depositor – BM & Staff of Chincholi



Shahpur Branch Staff on NPA recovery on camp mode



Post sanction unit visit (Fruit cart vendor) by BM Chowdapur



Mass Recovery programme by Yeragera Branch Staff



Jadcherla Branch Staff during Field recovery



Mass Recovery Programme by BC, Pargi Staff



Post sanction visit to a Vegetable vendor by Narayanpet branch staff



Recovery drive by Vikarabad branch staff



Post sanction visit to a Crop Loan Customer by Branch Manager of Shahpur Branch



Dammaigida Branch Staff explaining about Deposit Product of the Bank during Deposit mobilisation Campaign

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Corporate Information

Board of Directors :

Mr. Syed Mohammad Farooque Shahab	Non-Executive Independent Part Time Chairman
Mr. Durga Prasad Donepudi	Managing Director & CEO
Mr. V Narsi Reddy	Director
Mr. V Jaganmohan	Director
Mr. D Indu Sekhar	Director
Mrs. B. Vijayalakshmi	Director
Mrs. Geetha Mikkilineni	Director

Key Managerial Personnel

Mr. Durga Prasad Donepudi	Managing Director & Chief Executive Officer
Mr. J. Murali Krishna	General Manager & Chief Financial Officer
Mr. P.A. Pattnaik	Company Secretary

Senior Management Personnel

Mr. T.R.V. Satyanarayana	Chief General Manager
Mr. J Murali Krishna	General Manager & Chief Financial Officer
Mr. B Sudhakar	General manager
Mr. Narendra Kumar Manne	General Manager & Chief Operating Officer
Mr. Guruprasad Deshpande	General Manager & Chief Credit Officer

Statutory Auditors:

M/s. ASK & Co
Chartered Accountants
Hyderabad
Firm Regn No. 013735S

Registrar and Transfer Agent:

M/s. Bigshare Services Pvt. Ltd
306, Right Wing,
3rd Floor Amrutha Ville,
Opp. Yashoda Hospital,
Somajiguda, Rajbhavan Rd
Hyderabad - 500082
Tel: 040-2337 4967/040-2337 0295
Email: bsshyd@bigshareonline.com

Corp & Regd. Off:

1-98/8 to 11/FC/501
and 1-98/8 to 11/FC/502, 5th Floor,
Fortune Chambers,
Image Garden Function Hall Lane,
Silicon Valley, Madhapur, Hyderabad -500 081
Tel: 040-4192 3047 | www.kbsbankindia.com

About Us

Krishna Bhima Samruddhi Local Area Bank

KBS Bank (Krishna Bhima Samruddhi Local Area Bank) started operation in 2001. KBS Bank is one of the two Local Area Banks presently operating in the country. Today, the Bank operates in thirteen districts in three States viz. Jogulamba Gadwal, Mahabubnagar, Medchal-Malkajgiri, Nagarkurnool, Narayanpet Ranga Reddy, Vikarabad and Wanaparthy in Telangana; Prakasham and Bapatla in Andhra Pradesh and Kalaburagi, Raichur and Yadgir in Karnataka covering 1766 villages. As on date, the Bank has 29 branches, 14 Business Correspondent outlets and 35 Customer Service Points spread across the above districts.

The Bank has its Registered office and Corporate office at Madhapur, Hyderabad in Rangareddy District, Telangana State.

What sets apart KBS is its business model, perhaps it is the only Bank in the country, whose business model has been built on 'Financial Inclusion' as its core objective and 'Micro Finance' as its delivery model. Right from the beginning, Bank had adopted the mission **"to be a sustainable local community based institution, providing financial services to the under-served....."**. Over the years, the Bank had taken numerous initiatives in this direction and the Mission and Vision of the Bank has been revised to read as follows...

Mission

To be a partner in progress of our customers by

- | Delivering simple, dependable and innovative Banking services
- | Being cost effective using technology effectively
- | Being proactive in understanding customers' needs and preferences and
- | Connecting the last mile in Banking to the doorstep of our customers.

Vision

- | Make a difference by creating value for the under-served and un-served customers

In keeping with its mission, the Bank had been offering various savings and credit products to its customers, customized to suit their requirements. It also provided service at the doorstep of the customer, for both deposits as well as credit, keeping in mind the specific needs of the segment it serves. The very fact that the average size of a deposit account is Rs.16,668/- and that of an outstanding loan account is around Rs.60,902/- would suffice to indicate that the Bank has been catering to the needs of the customers who normally find it difficult to access the mainstream Banking system for their needs.

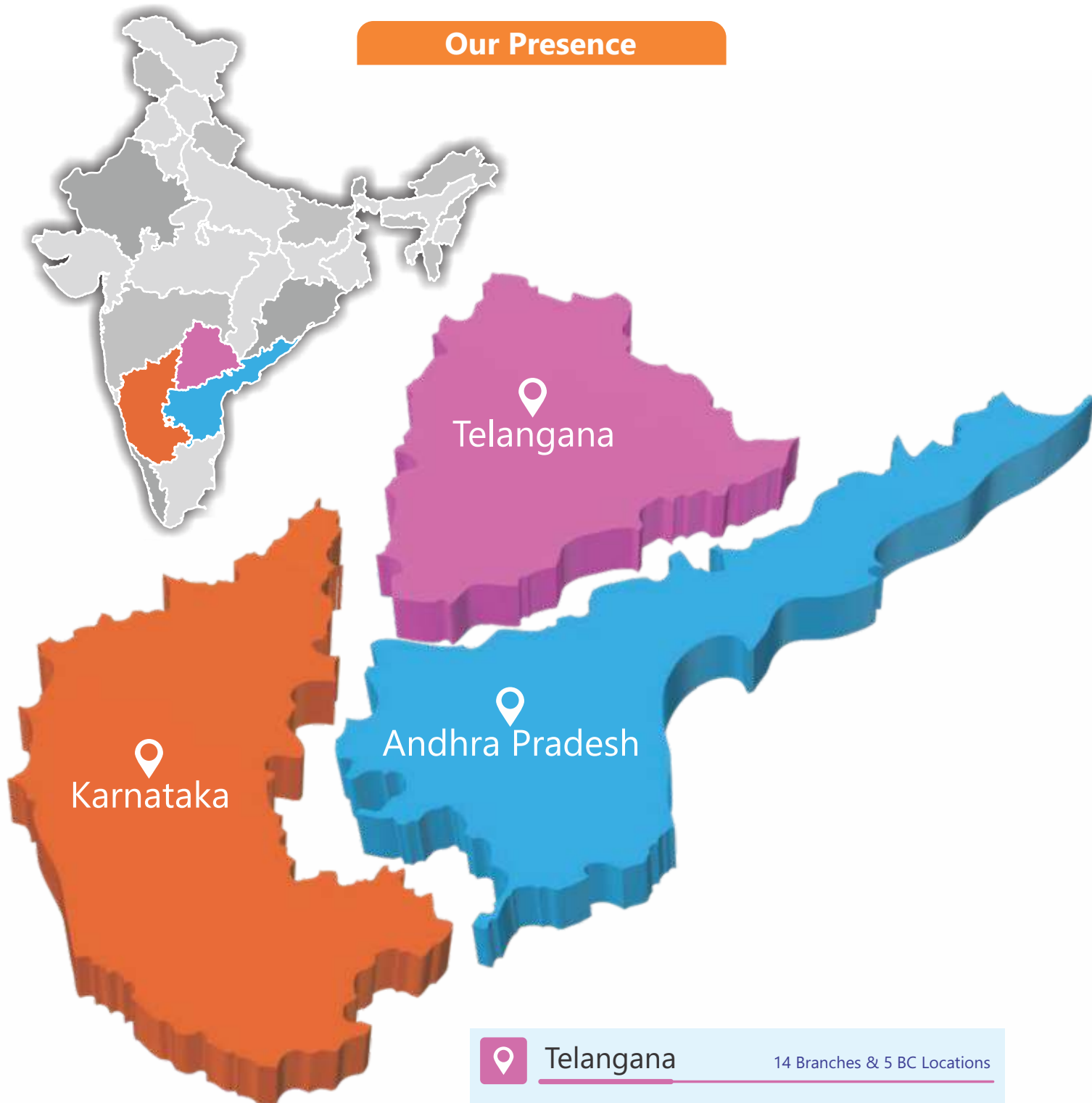
As regards credit, the Bank offers wide range of loans catering to different segments, especially the poor and the under-served to meet their various needs across a wide spectrum of economic activities. While non-farm micro enterprises form a major part of the loans of the Bank, loans to small and marginal farmers for agriculture and dairy farming also account for a sizable portion of the total credit. Bank offers Sukshma Loan with minimum loan amount of Rs.10,000/- to women customers through the Customer Service points in remote areas.

Technology

The Bank has always been operating in a fully computerized environment. Since the year 2010, the Bank has migrated to a Core Banking Solution. Bank operates in B@ncs24, a CBS software provided by C-Edge Technologies Ltd. under ASP model. The Bank also offers alternate delivery channel products such as ATM, Mobile Banking, IMPS, NEFT, RTGS, UPI and POS terminals. Bank has 30 ATMs in operation. Bank has established a network of Customer Service Points to provide Banking services to customers in remote areas which functions through Handheld Devices, also offers AePS, account opening etc., and these services are being handled through Business Correspondents. Bank has received approval from UIDAI for on boarding e-KYC functionality and for AePS payments. More details on the website of the Bank www.kbsbankindia.com.



Our Presence



Telangana

14 Branches & 5 BC Locations



Karnataka

13 Branches & 9 BC Locations



Andhra Pradesh

2 Branches

*** Maps are for representation purpose only*

Board of Directors



Mr. S.M. Farooque Shahab

Non-Executive - Independent - Part Time Chairman



Mr. Durga Prasad Donepudi

Managing Director & CEO



Mr. V. Narsi Reddy

Independent Director



Mr. V. Jaganmohan

Professional Director



Mr. D. Indu Sekhar

Independent Director



Mrs. B. Vijayalakshmi

Independent Director



Mrs. Geetha Mikkilineni

Independent Director

Director's Profile

Mr. Syed Mohammad Farooque Shahab

Non-Executive-Independent-Part Time Chairman of the Board



Mr. SM Farooque Shahab is a professional Banker with more than 37 years of experience in Banking. He retired as Chief General Manager (Internal Audit) in State Bank of India on 31st March 2021. During his service in State Bank of India, he served in various positions and assignments in India and foreign countries such as Chief General Manager, (Internal Audit), Chief General Manager, SBI, Bangalore Circle, Regional Head & CEO, SBI Middle-East & North Africa, General Manager, SME Business Unit, General Manager, North East Circle, General Manager, Hyderabad Circle, CEO, SBI Retail Banking, Bahrain and Asst. General Manager (Credit-CEE & MENA), SBI, International Banking Group etc.

Mr. Durga Prasad Donepudi

Managing Director & CEO



Mr. Durga Prasad Donepudi, is a veteran Banker with rich experience of over 40 years in various fields such as Priority Sector Lending, Financial Inclusion, Government Business, Corporate Banking and Retail Banking etc.

During his carrier with Andhra Bank, he served in various positions with last position held as General Manager.

Post superannuation, he was also an Advisor to the then Andhra Bank. He was the Convenor of State Level Bankers Committee of combined Andhra Pradesh.

Director's Profile



Mr. V. Narsi Reddy
Independent Director

Mr. V Narsi Reddy is M.Sc. (Agriculture), is a professional Banker with more than 30 years of experience in Banking. He Retired as General Manager in State Bank of India in June 2019. In his career in State Bank Of India, he had worked in different areas of Agriculture Finance, General Banking, MSME, Mid-Corporate, Corporate Finance, Information Technology, Digital Banking, Risk Management, Audit, Human Resource Management etc.,

He was also the Chairman of Andhra Pradesh Grameena Vikas Bank (APGVB) for above 54 months on deputation from SBI as General Manager.



Mr. V. Jaganmohan
Professional Director

Mr. V. Jaganmohan holds a Master's Degree in Business Administration from Osmania University. He is a professional banker with more than 28 years of experience with State Bank of India in various capacities and locations. He has served as the Managing Director of AP State Cooperative Bank Ltd, Hyderabad, and of Coastal Local Area Bank Ltd, Vijayawada. He was also the Chairman and CEO of Kakatiya Grameen Bank, Warangal. He joined the Bank's Board in October 2022.



Mrs. B. Vijayalakshmi
Independent Director

Mrs. B. Vijayalakshmi is a professional Banker with more than 38 years of experience in Banking. She retired as General Manager in the then Andhra Bank in June 2019 after 38 years of service. During her career in Andhra Bank, she had worked in various cadres like Clerk, Asst. Manager, Branch Manager, Senior Manager, Chief Manager, Assistant General Manager, Deputy General Manager, Zonal Manager and General Manager.

Director's Profile

Mr. D. Indu Sekhar

Independent Director



Mr. Dantu Indu Sekhar is a Professional Banker with 39 years of experience in Banking. Retired as General manager from State Bank of India in June-2019. He had rich experience in all verticals of Banking viz; SME, Corporate Finance, Retail, Agri/Micro Finance, Audit and Treasury. During his tenure in State Bank of India, he served as General Manager (Management Audit), General Manager, Chennai Circle, General Manager, Corporate Centre, Mumbai, Deputy General Manager, Goa, Vice President (Treasury and Investments), SBI Capital Markets Ltd, Mumbai. He was Convener of the State Level Bankers Committee, State of Goa. He is also a Qualified Resolution Professional. He joined the Bank's Board in October 2022.

Mrs. Geetha Mikkilineni

Independent Director



Mrs. Geetha Mikkilineni is a Chartered Accountant by Profession. Her qualifications are ICAI, ICWAI, IIMU - MDP. Currently, she holds a senior position and Heads the Finance Department of Axiom Research Labs Pvt Ltd, the only Indian company to be shortlisted for GLXP competition. The Company is into Space exploration and works for NASA. She started her career in PWC in the field of Statutory Audits. During this period, she conducted and lead the teams in Statutory Audits in various industries, and moved to EY, Hyderabad to pursue Management Assurance Services. She also worked as a partner in M/s. Basha & Narasimhan, a firm of Chartered Accountants, for almost 12 years. The above firm of Chartered Accountants is in practice for more than 27 years having offices at Hyderabad, Visakhapatnam and Chennai.

Management Profile



Mr. T.R.V. Satyanarayana
Chief General Manager

He has more than 45 years of experience in various fields of Banking viz., Corporate Credit/Rural/Retail/Micro finance.

Wide exposure in Business development, Budgeting, Data analysis, Data mining. Has rich experience in Cash Management Services/MIS–its analysis and in Receivable Monitoring & Administration. He was a member of Standing Committee on Currency Management (SCCM) and Nodal Officer for FATCA & CRS of earlier employer viz. State Bank of India.

A seasoned banker in the Administration of large offices and a Subject Matter Expert in Operations/Credit Management.

A tech savvy Banker with domain expertise. He was also having faculty experience of 8 years in APEX colleges/Institutions of SBI.



Mr. J. Murali Krishna
General Manager & Chief Financial Officer

He is a member of the Institute of Chartered Accountants of India(ICAI). He has more than three decades' experience in Credit, Retail Banking, Audit & Inspection apart from rich experience in overall administration.

During his carrier with Andhra Bank, he served in various capacities with last position held as Deputy General Manager, Corporate Credit Department at the Head Office.



Mr. Guru Prasad Deshpande
General Manager & Chief Credit Officer

An MBA with CAIIB from IIBF and having work experience in State Bank of India with more than 41 years.

He worked in various areas of Credit viz in Agri Credit, MSME , SME, Corporate Advances and worked in Stressed Asset Recovery vertical of High Value NPA accounts (Corporate NPA's). Worked in HR /Admin Department. Worked as Asst General Manager in Local Head Office, Hyderabad as an Inquiry Authority in BCDM Department.

Management Profile



Mr. Narendra Kumaa Manne

General Manager & Chief Operating Officer

He is a Post Graduate in Commerce M.Com from Nagarjuna University, MBA Finance from IGNOU . CAIIB, MDBA.AMFI.

Having more than 38 years of extensive experience in the banking sector, with a focus on Corporate Credit , MSME Credit , Retail Credit , Audit and Administration.

Worked as a Regional Head in PSB with significant performance in the area of Banking business and Operations.



Mr. B. Sudhakar

General Manager

He is a Commerce Graduate and Insolvency Professional, worked in SBI, retired as DGM. He has 37 years of banking experience in various fields of Banking viz., Corporate Credit/ SME Credit / Controller / Stressed Asset Management/ HR areas.

He has Exposure in Business development, Audit Compliances and Risk Management.

Exposure in Recovery Mechanism of large advances, including SARFAESI, DRT, Compromise, NCLT process.

He has Rich experience in Banking as Branch Head, Regional Manager, Department Head. He is also having experience in Transaction Banking and Digital products.



Mr. S. Kishan Rao

Chief Technology Officer

He Graduated from Nagarjuna University and holds internationally accredited certifications such as CISA, CISM, and CEH.

Having over 38 years of extensive experience in the banking sector, with a focus on IT operations and cybersecurity.

Possesses significant expertise in IT Applications and played a pivotal role in the digital transformation of banking operations, including branch automation and implementation of Core Banking Solution.

Served as Head of the Cyber Security Centre of Excellence, Head of CSOC, and Chief Information Security Officer (CISO) in a public sector bank.

Management Profile



Mr. I. Srinivasa Rao

AGM Liabilities & Head RMD

An Ex Banker from SBI, retired as AGM on 31st May 2023 with 38 years of Banking.

Experience in various fields viz Rural Banking, Retail business, Trade Finance, Forex business, Cross selling etc..

Experience in Branch Business development & stress assets Recovery. During his service he worked as AGM & COO in 3 Corporate Clients Group Branches and maintained good Liasoning with Corporate customers.



Mr. SLN Prasad

Assistant General Manager - Operations

Has around 40 years' experience in banking.

Wide experience of more than 22 years in administration and 18 years as Branch head. Handled all types of branches including a scale-V branch.

Headed departments of Credit, Accounts, Planning, Audit and NPA management in AP Grameena Vikas Bank. Headed biggest regions having business around Rs.5000 Crores as AGM.



Mr. M. Raj Sekhar

Chief Manager - Internal Audit & Admin

Having 38 years of rich experience in Banking in various fields and the main Domain being Operations, Audit, HR and Administration. During his career in the Bank has rich experience and exposure by heading the Branches.

Having experience in Administration by handling different departments in various offices in the Bank.

Having experience in Human Resources Department in various offices in the Bank.

Having wide exposure in Audit and compliances and guiding the Branches.

Management Profile



Mrs. R. Anuradha

Chief Manager - HR

A Post Graduate in Commerce as well as in Business Administration (M.Com & MBA) from Nagarjuna University. Has over 21 years of experience in Banking and financial services.

She has handled various assignments among others that includes:

Accounts, Finance, Treasury Management, Branch Banking, Operations, Human Resource Management and Administration Functions of the Bank.

She heads Human Resource Department of the Bank.



Mr. P.A. Pattnaik

Company Secretary

A Fellow Member of the Institute of Company Secretaries of India and a Graduate in Law from Utkal University, Odisha, with work experience over 15 Years. Gained rich experience in Corporate governance matters. He is serving the Bank since 2010.



Mr. K.V. Parameswara Rao

Chief Manager-Compliance

A Commerce graduate from Andhra University, has been in the financial services sector for more than 33 years that includes Vasavi Urban Co-Operative Bank, Hyderabad for 18 years, and KBS Bank, where he has been serving for over 15 years, handling Compliance functions.

Performance at a glance

Deposits (Rs. in Cr.)



Advances (Rs. in Cr.)



Total Business (Rs. in Cr.)



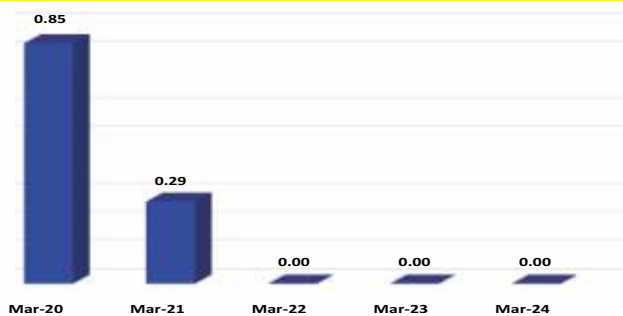
Net Profit (Rs. in Cr.)



Gross NPA (%)



Net NPA (%)



Networth (Rs. in Cr.)



Provision Coverage Ratio (%)



Delivery Channels and Services

Information Technology and IT Enabled Services

The Bank has introduced QR Codes, aimed at enhancing our business outreach and digital footprint. Distributed at no cost to business customers, this initiative will help the bank to improve visibility and CASA positions.

Bank has implemented a facility for doing On-Us transactions using RuPay cards by the customers at the POS machines. This initiative is widely accepted by the customers and card usage is also increased.

In our efforts to streamline the management of Board and various committee meetings, we have adopted a web-based Meetings software. It supports comprehensive documentation and is accessible across various devices.

To significantly enhance efficiency and ensure compliance with contemporary security standards, and to move from manual & semi-automated to fully automated process, Bank has on-boarded a cloud-based HR & Payroll Processing software.

Bank has migrated our FI application and database to cloud environment hosted in a state-of-the-art and Tier IV Data Centre, for better security and 24/7 availability. Also, we mention that bank has launched a new MIS portal and hosted in the cloud environment. This portal is made accessible to all branch users for view/download daily/monthly business reports.

It is to be mentioned here that the bank has automated end-to-end transaction processing with Host-to-Host facility with National Automated Clearing House, eliminating manual dependencies and enhancing efficiency in clearing process.

For Strengthening E-Mail System, Bank has implemented DMARC policies to prevent email spoofing and unauthorized email activities. Additionally, proxy servers are introduced to separate internet and intranet access, and multi-factor authentication (MFA) is enabled for CBS users to enhance security.

To manage large file transfers efficiently, we have introduced a cloud-based Data Room, to reduce email clutter and to improve document management, and greatly benefits both branch functionaries and the Corporate Office.

We are happy to introduce an automatic screen lock feature in CBS to prevent unauthorized access and enhance security. And in compliance to regulatory guidelines, Bank has completed the grouting of all ATMs operating in Bank's domain. These initiatives reflect our commitment to leveraging technology for improved operational efficiency, security, and customer service.

Business Correspondents (BC) operation

The Bank, through its outreach initiative, has been broadening its services using Business Correspondent (BC) outlets. Currently, the Bank is in an expansion phase, increasing its presence through two approaches: traditional Brick and Mortar branches (Model-1) and "ultra-small" outlets called Customer Service Points (CSPs) (Model-2).

The selection of CSPs, assignment of staff, and provision of digital equipment are all handled by Gram Tarang Inclusive Development Services (GTIDS), an external agency affiliated with Centurion University that acts as the Bank's BC.

Bank has a BC model with a fixed banking outlet which is provided with CBS (B@ncs 24) at the front office and is connected through a 'Airtel RF network' connectivity with the base branch. Three ATMs have also been set up at the 14 fixed BC locations linked to base branches. This setup is now referred to as Model-1.

Recognizing the untapped potential in its operational area, the Bank has proposed a new digital initiative through the CSP model. This initiative will be known as Model-2. Under this model, CSPs will initially be managed primarily by women from the local community, thus helping the Bank achieve its vision of reaching under served areas.

In Model-1, BC outlets are located at 14 sites connected to 11 base branches, where transactions are handled by TAs employed by GTIDS. Additionally, the Bank's CSR/BDX staff are also involved in various banking activities.

Digital Expansion at BC:

As previously reported, the Bank has initiated a digital expansion through the CSP model. Currently there are 34 actively working CSP points. Majority of the transactions taking place at CSPs are through Aadhaar Enabled Payment System (AEPS).

In Model-2, the goal of financial inclusion will be realized through digital service delivery, which is now order of the day. This includes services such as Aadhaar Enabled Payment System (AePS), direct money transfers, bill payments, account openings, micro loan origination, EMI collections, and more.

Samruddhi Sukshma Loan (SSL) APP:

Bank has introduced a Digital loan Product viz. Samruddhi Sukshma Loan. SSL loan process is through a "digital platform" right from origination to the end of pre-sanction stage through HHD by means of an 'Android' application. The small ticket loan up to Rs 25,000/- is a tailor-made loan offered through the agents of CSPs (Bank Mitras) as well as through field staff.

Overview of Deposit and Loan products

Deposit Products

Samruddhi Amrit Kalash (SAK)

In order to compete with prevailing market conditions for Bank deposits, "Samruddhi Amrit Kalash" (SAK), a new deposit scheme launched by the Bank w.e.f. 1.5.2024, offering higher rate of interest and targeting the big ticket deposits from the public and senior citizens. SAK is a deposit product with a tenor of 777 days and rate of interest offered is 8.654% for General Public and 9.65% for Senior Citizens. Minimum deposit amount is Rs 5000/- and maximum is Rs 10.00 crores. Under the scheme, loan against deposit is considered and premature withdrawal attracts penalty.

Dwi Dashabdi Deposit (DDD) & Dhana Vriddhi Deposit (DVD)

Bank has, to sync with the commemoration of completion of 20 years of functioning, launched a Reinvestment Deposit Scheme, Dwi Dashabdi Deposit (DDD), offering interest of 8% to public and 9% to Senior Citizens under which the deposit amount will be doubled in 112 months, w.e.f. 15.2.2021.

Simultaneously Bank has also launched a 1000 days' Reinvestment Deposit product called KBS Dhana Vriddhi Deposit (DVD) w.e.f. 15.2.2021, offering interest of 8.35% to public and 9.35% to Senior Citizens.

These products are introduced to suit the demanding needs of customers and to compete with similar products of other Banks. Under the scheme, loan against deposit is considered and premature withdrawal attracts penalty.

Loan Products

Sampoorna Saral Credit for Small Business and Micro Enterprises:

Small business units, small industries in the tiny sector, retail traders, professionals and self-employed persons, requiring working capital needs are very often unable to provide the elaborate financial data sought by banks from time to time for assessing their credit needs. In order to obviate this difficulty faced by the small units in Small Scale Industries (SSI) sector & Small Business Finance (SBF) sectors, the Bank has designed this product based on a simple scoring model for assessment of loan application. Working capital facility or Term loan up to Rs.10 lacs to meet any kind of credit requirements including purchase of shop/shutter etc is granted under Sampoorna Saral Credit with 3 years tenure.

Samruddhi Sukshma Loan (SSL):

SSL is a product specifically designed for self-employed women and it has proved to be instrumental to women empowerment.

Women engaged in an activity/occupation, retailers and service providers either in farm or non farm Sectors, having business experience of at least one year are granted SSL facility for productive/consumption purposes/ to meet requirement of working funds for their business/activity. The loan amount ranges from minimum Rs.10,000/- to Rs.25,000/- maximum, with maximum of one year tenure.

The loan is sanctioned at the door step of customer by the field staff or at the Customer Service points using Hand Held Device with minimum KYC documentation through Loan Origination Application. The whole process is Digital with meagre paper work.

Samruddhi Auto Loan (SAL):

The transport system of a country plays an integral role its growth for a multitude of reasons. Due to quick and easy movement of raw materials, machinery, finished goods, etc. it benefits the industry by providing ultimate benefit to our rural folk. This also helps in providing employment to the local villagers and helps in improving their socio-economic status.

In order to have a better access to transportation, either be it in carrying the goods or passengers in the rural, semi-urban or urban areas of our operational areas to ease out passenger traffic and also to improve transportation facility of our rural folk, bank has introduced Samruddhi Auto Loan (SAL) for purchasing new or used three and four wheeler vehicles under “Goods and Passenger” carriers category for an amount upto Rs 25 lacs.

Samruddhi Housing Loan:

Recognizing the credit needs of people in rural and semi-urban areas who have limited or difficult access to mainstream housing loan markets, the Bank has designed its housing loan product with flexible terms and conditions regarding tenure and loan amounts. Typically, individuals in rural areas struggle to obtain small loans from mainstream banks and must rely on government schemes or loans from unorganized sectors for housing purposes. In this context, the Bank's flexible housing loan product is highly beneficial, accommodating customers in rural areas with small loan requirements as low as Rs. 15 to 20 lakh, as well as those needing larger loans up to Rs. 100 lakh. The loan tenure ranges from 15 to 25 years and can be used for various purposes such as renovating or repairing existing houses, extending or expanding current houses, or purchasing new or old houses.

Samruddhi House Plot Purchase Scheme:

To provide extended support to its customers, the Bank had introduced a new scheme under the Housing Loan for purchasing plot for construction of Residential House building. Under the scheme bank provided loans for purchase of plots at lower rates in approved layouts or areas with all necessary approvals, intended for the construction of residential houses, within a max period of 48 months from sanction. It also includes purchases from government bodies, development authorities, and reputable builders for plots or land located in metro, urban, or semi-urban areas for building residential houses.



School Bus financed by Chowdapur Branch under Samruddhi Auto Loan Product

Control Mechanism

Risk Management:

The Bank's risk management objective is to judiciously balance the trade-off between risk and return, ensuring operations remain within the parameters set forth by the Board-approved risk appetite statement. Over the past few years, the Bank has endeavored to enhance its capabilities, fortify operational risk management, and transform itself into a technology-driven institution. To this end, the Bank has made substantial investments in technology and processes, further reinforcing its risk management architecture.

The Bank has instituted a robust Risk Management framework, complete with policies and procedures designed to address various risk factors. The Risk Management Committee (RMC) of the Board oversees the implementation of credit and operational risk policies. On a daily basis, functional heads are tasked with monitoring and mitigating credit and operational risks, resulting in negligible market risk.

Risk management within the Bank encompasses a comprehensive array of measures to mitigate risks and maximize the rewards of various banking products and services. This includes managing and reporting to ensure operations remain within defined parameters, formulating processes to ensure compliance with various policies, implementing AML and KYC protocols, and securing approvals and issuance of internal circulars that conform to both regulatory and internal guidelines.

The Bank boasts a structured and standardized credit approval process, including a well-established procedure for comprehensive credit appraisal and documentation. Any extension of credit facility or material change to a credit facility for any counter party requires approval at the appropriate authority level. The foundation of the credit assessment process is the internal risk rating, which provides standardization and objectivity to the process.

Internal Financial Controls, Audit, and Compliance

Internal financial controls, audit, and compliance are integral to the robust governance framework of any bank. These functions ensure that the bank operates within the regulatory and statutory frameworks, maintaining transparency, integrity, and accountability in all its operations.

Internal Financial Controls encompass policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Effective internal controls help prevent and detect errors and fraud, safeguard assets, and ensure accurate and timely financial reporting. KBS Bank has implemented comprehensive control mechanisms, including segregation of duties, approval processes, and periodic reconciliations, to maintain a high standard of financial integrity.

The Bank's Internal Audit Department and Compliance Department independently evaluate the adequacy of all internal controls, ensuring that the Operations of the Bank adhere to established internal processes and procedures, as well as regulatory, statutory, and legal requirements. The Compliance Function is a cornerstone of the Bank's corporate governance structure. The Compliance Department monitors and manages compliance risk, facilitating adherence to regulatory prescriptions issued by bodies such as the RBI and other statutory authorities. It plays a crucial role in promoting a culture of compliance within the bank, from the board level down to the operational units. This department also ensures the implementation of anti-money laundering (AML) and know-your-customer (KYC) protocols, safeguarding the bank against legal and reputational risks.

Driven from the top, with the Board and Senior Management playing a pivotal role in fostering a compliance culture, the Bank is steadfast in its commitment to upholding the highest standards of compliance with regulatory prescriptions and internal guidelines. The Compliance Department supports the Board and Senior Management in managing the Bank's compliance risk, ensuring that the business operations are conducted in strict adherence to guidelines issued by the RBI and other regulators, as well as various statutory provisions and standards.

Community Engagement (CSR Activity)



Donation of Ambulance to Community Health Centre at Kodangal

సాక్షి

లాభాల్లో సమాజసేవకు వినియోగం

● తీవ్రమైన బ్యాంక్ ఎంట్రీ దుర్ఘటన

శ్రీధర్ మహబూబ్ నగర్: సామాజిక భద్రతతో బాధ్యతతో సేవనీడర్ కింద కృష్ణ దీపా సమర్థి లోకల్ పరియోజనానికి (కీటీఎస్) తమసంఘం సేవా కార్యక్రమాలను సమర్థిస్తున్న మేనేజింగ్ డైరెక్టర్ దుర్ఘటనా తర్వాత, అలాగే కేంద్రంలోని కీటీఎస్ బ్యాంక్ కానకావరపురం అవరచిలో 24వ అవినీతి దినోత్సవం సందర్భంగా 75వందల రూపాయల వినియోగం చేశారు. ప్రతి కీటీఎస్, పరిశోధన పరిశోధనా అవరచిలో, ముఖ్య అధికారి పాల్గొన్న ఎంట్రీ మాట్లాడుతూ, 2001లో స్థాపించిన కీటీఎస్ 28 ఏళ్ల సేవల భావనలను మెరుగైన సేవల అందిస్తున్నట్లు తెలిపారు. అధికారి నాయకత్వం, నిలబడే ప్రణాళిక ఈ బ్యాంక్ సేవలను సమర్థిస్తున్నాడు. 28 కార్యాలయం, 39 ఏజెన్సీలు, 3,77,777లక్షల భావనలను, 9,10లక్షల కీటీఎస్లను, 900 కీటీఎస్ బ్యాంకులో తమ బ్యాంక్ ముందు సాగుతున్నట్లు తెలిపారు. 2024 మార్చి నాటికి ఈ సంఖ్య 100 బ్యాంకులకు పెరుగుతున్నట్లు తెలిపారు.

వినియోగంలోకి వచ్చిన లండన్ లోని ఎంట్రీ దుర్ఘటన తర్వాత

దుర్ఘటన, తిలంగాల, కర్నూలు, ఎన్టీఆర్ 1,700 గ్రామాల్లో వినియోగదారులు, పేద, దిక్కు సమస్యలకు కీటీఎస్, దిక్కు సమస్యలకు కీటీఎస్ సేవల అందిస్తున్నట్లు తెలిపారు. బ్యాంకు పరిశోధన లాభాల్లో కొంతమంది సేవల సేవల వినియోగం నెలకొల్పి తెలిపారు. కార్యక్రమంలో కీటీఎస్ సీనియర్ ఎంపీ ముఖ్యమంత్రి జేఎం సుధాకర్, జీఎ, కీటీఎస్, జేఎం ప్రజలను, పరిశోధనలను, కార్యాలయం, ఎన్టీఆర్, కర్నూలు పాల్గొన్నారు.



Distribution of Prosthetic items to Persons with Disability at Mahabubnagar under CSR activity

Community Engagement (CSR Activity)

The guiding principle of KBS Bank's CSR activities has always been aligned with its vision statement i.e. "Make a difference by creating value for the under-served and un-served customers."

From the outset, the Bank has engaged in various initiatives to assist people, earning their respect and affection in its operating areas while adhering to statutory obligations. KBS Bank views Corporate Social Responsibility not merely as a legal requirement but as an opportunity to serve society where it is needed most.

During the year 2023-24 the Bank has complied with the provisions of Section 135 regarding Corporate Social Responsibility. The Bank has spent Rs. Rs. 32,66,188/- (Rupees thirty two lakh sixty six thousand one hundred eighty eight only) little more than the actual statutory obligation under section 135, for "promoting health care including preventive health care."

During FY 2023-24 Bank had taken up the following initiatives in discharge of the CSR obligation:

- Bank has provided an Ambulance to Community Health Centre, Kodangal, Vikarabad District, of Telangana State;
- Bank has provided Prosthetic organs and support aids to Persons with Disabilities residing in various area of erstwhile Mahabubnagar district of Telangana state and Kauragi and other districts of Karnataka.



Distribution of Prosthetic items to Persons with Disability at Mahabubnagar under CSR activity



Distribution of tricycles to Persons with Disability at Kalaburagi (Gulbarga) under CSR activity

DIRECTORS' REPORT : FY 2023 - 24

The Directors of your Bank are pleased to present the 25th Annual Report of the Bank together with the Audited Statement of Accounts and the report on business and operations of the Bank for the financial year ended March 31, 2024.

Economic Synopsis and way forward:

In FY 2023-24, India's economy demonstrated robust growth, driven by a strong recovery in consumption and investment. During the year the India has shown resilient economic performance, strategic reforms, and a forward-looking approach aimed at sustainable and inclusive growth. The GDP growth rate for the year was projected to be around 6.5% to 7%, making India one of the fastest-growing major economies in the world.

During the year the agriculture sector continued to be a backbone of the economy, supported by favourable monsoon rains and government subsidies. The Manufacturing sector saw significant growth, bolstered by initiatives like Make in India and the Production Linked Incentive (PLI) scheme, while the services sector, particularly IT and financial services, remained a key contributor to GDP, showcasing resilience and innovation. Renewable energy sector has witnessed substantial investments, in alignment with India's commitment to achieving net-zero emissions by 2070. Foreign Direct Investment (FDI) inflows continued to be robust, reflecting global investor confidence in India's economic prospects.

During the year the Reserve Bank of India (RBI) maintained a cautious approach while balancing between controlling inflation and supporting economic growth. After the repo rate was revised to 6.50% in the beginning of the year it had been unchanged at 6.5% for the rest of the fiscal year. The banking sector showed resilience with improved asset quality and stronger balance sheets post-pandemic. Financial inclusion initiatives, such as the Pradhan Mantri Jan Dhan Yojana, continued to bring more people into the formal banking system. The start-up ecosystem had thrived, with several unicorns emerging and contributing to job creation and innovation.

During FY 2023-24 the India's banking sector played a pivotal role in supporting the country's robust economic recovery post-pandemic. The banking sector had witnessed a rise in green finance, supporting projects aimed at sustainability and renewable energy.

Credit growth in the agriculture sector has been strong, supported by favorable government policies and subsidies. Insolvency and Bankruptcy Code (IBC) has further facilitated the resolution of distressed assets, improving bank balance sheets. While Public sector banks have shown improved profitability and reduced non-performing assets (NPAs) due to effective recovery mechanisms like IBC and DRT; Private sector banks have also continued to expand their market share, benefitting from superior technology and customer service.

During 2023-24 many PSU Banks and Private Sector Bank have progressively adopted the Artificial Intelligence (AI) and Machine Learning (ML) for optimized operations and customer service. With increased smart phone penetration in rural and urban areas Mobile banking usage had also reached new heights.

During the year RBI has focused on enhancing regulatory compliance and transparency within the banking sector. Stringent penalties had been imposed on several banks for violation of guidelines. It was observed that strengthening of governance, transparency and customer service and KYC & ALM in the cooperative sector as well as Banks had been major objective of RBI during the year.

During the FY 2023-24 your Bank has registered a 9.38% growth in total business with 6.69% growth in Operating profit. Bank has maintained a provision coverage ratio of 100% this Financial Year too.

Keeping in view the economic scenario, we expect another good year in 2024-25. Bank plans to achieve a total business of Rs.1,200 Crore by March 2025.

Bank has been progressively working on introducing Loan Origination Software (LOS) which will eliminate data entry errors and data redundancy with end-to-end online processing. This will also reduce man-hours required for data entry, as same set of data won't be entered as multiple points. In order to achieve the business goal of Rs. 1200 Crore and also increase the secure loan portfolio, bank would concentrate on Rural and semi urban Housing Loans, Mortgage Loans and Minor Irrigation etc. apart from Agri and Agri allied loans viz. Dairy loans. Recently Bank has introduced a new loan product for financing land purchase and house building. The product will be helpful to customers particularly in rural areas for purchasing land and building their own houses. This year also the Bank shall continue to focus on gold loan for strengthening the secured loan portfolio.

Bank maintains a high level of compliance and governance in every aspect. Your Directors have been highly sensitive to the changing needs under the governing laws and RBI regulations. After mid-year the bank had changed its NPA recognition norm and migrated to Daily stamping of NPAs to align with RBI guidelines. This though caused doubling the NPA figure, Bank could seize and control the situation by the year end and also could maintain coverage ratio of 100%, which fall to 76% after the change in NPA norms.

As a strategy to expand the area of operation and financial inclusion, the Bank plans for aggressive broad basing of the CSP network. Bank's Customer Service Points (CSP) are managed by the Business Correspondent of the Bank and the points are located in the villages and market places nearby the Branch. Most of the CSPs are women who have small business places apart from working as the CSP and providing banking services to the residents of the locality.

Apart from the CSP points, the Bank has 14 BC locations attached to different Branches, which are almost like extension of Branch. Your Bank is geared up to translate all possibilities into opportunities for sustainable business growth along with a strong commitment to providing services with smile to all our customers, which will go a long way in maximizing stakeholder's value.

Over the period Bank has improved the Management Information System to optimum level. Operating staff are provided with more than 20 reports on a daily basis, covering business information, NPA, and the product performance of branches and employees. This helps the staff in monitoring and assessing performance.

As you know in the long run Bank plans to transit in to Small finance Bank, all actions are been planned keeping in view the big picture. The transition in to SFB is not too far provided all goes as planned. We will be seeking your support and cooperation in the near future in taking the right and big decisions.

At present there are only two LABs in whole country. Local Area Banks are inherently subject to all odds in the industry and many restrictions. The design itself is confined to operate in limited area only. Our growth is restricted. The concept has become redundant with the birth of many other banks like Small Finance Bank, Universal Banks. We are facing tough competition with in our area of operation from other Banks and Micro finance institutions. Still, we have hope. We shall strive to survive and protect the interests of all stakeholders.

In the path of hope there are hurdles and hurdles will be there in future too, however we are determined and conscious; we are also confident to cross them and progress; there are few choices and options, we shall make ours and touch the silver linings across the dark clouds.

Performance of the Bank for FY 2023-24:

The year 2023-24 has been a normal year for the Bank. The Bank has shown moderate growth during the year. As at the end of March 31 2024, aggregate business of the Bank reached a level of Rs.896.41 Cr in comparison to Rs.819.51 Cr as on March, 2023 thus recording a growth of 9.38% on Y-o-Y basis.

Total Business:

The total business of the Bank increased by Rs.76.90 Crore (i.e. an increase of 9.38%); it increased to Rs. 896.41 crore in FY 2023-24 from Rs.819.51 crore, in FY 2022-23. Bank recorded a Growth of 9.38% in total business in FY 2023-24. While deposits have recorded a growth of Rs.41.34 Cr (9.16%) advances grew by Rs.35.56 Cr (9.65%) during the year.

The total number of customers (outreach) stood at 294,374 as on March 31, 2024 compared to 283,470 as on March 31, 2023.

Deposits:

Deposits of the Bank increased by Rs.41.34 Crore from Rs.451.09 Crore as on March 31, 2023 to Rs.492.42 Crore as on March 31, 2024. The Deposits has grown by 9.16% over March 2023. The Deposit growth in ASCB (All Scheduled Commercial Bank) is 13.4% as on March 2024. The average size of deposit as on March 31, 2024, is Rs.16,668/- with 295,427 deposit accounts vis a vis Rs.16,066/- with 2,80,770 deposit accounts, as on March 31, 2023.

Advances:

The total advances of the Bank increased by Rs.35.56 Crore from Rs.368.42 Crore as at March 31, 2023 to Rs.403.98 Crore as at March 31, 2024 with a growth rate of 9.65 %. The Advances growth in ASCB is 18.8% as of March 2024. The average ticket size of disbursed portfolio, in the Micro-finance segment, remained almost stagnant at Rs.60,902/- as on March 31, 2024 vis a vis Rs.59,138/- as on March 31, 2023.

The cumulative loan disbursement of the Bank for the financial year 2023-24 amounted to Rs.315.17 Crore with 33,912 loan accounts against Rs.308.03 Crore with 36,125 loan accounts during previous year 2022-23.

(Rs in Lakh)		
Particulars	Mar-24	Mar-23
Deposits	49,243	45,109
Advances	40,398	36,842
Total Business	89,641	81,951

Capital Structure:

The Authorized capital of the Bank stood at Rs.25 crore comprising 2.50 crore Equity shares of Rs.10.00 each. The paid-up capital of the Bank stood at Rs.13,42,22,620/- comprising 1,34,22,262 Equity shares of Rs.10.00 each, as on March 31, 2024. There is no change in the Capital structure during the year.



Reserves:**(Rs in Lakh)**

Reserves	2022-24	2022-23	Transfer to the reserve during the year
Statutory Reserves	1606	1283	322
Capital Reserves	28	28	-
Share Premium	304	304	-
Investment Fluctuation Reserve	95	95	-
Revenue Reserve	5	5	-
Balance carried forward to Balance sheet	5777	4500	1,277

During the year, an amount of Rs.322 lakhs has been transferred to statutory reserves. The Bank has Rs.304 lakhs in the Share Premium Account and Rs.28 lakhs as Capital Reserve, Rs.95 lakhs in Investment Fluctuation Reserve, Rs.5 lakhs as Revenue Reserve as on March 31, 2024. A sum of Rs.12.77 Crore has been carried forward to the Balance Sheet for the year ended March 31, 2024. The net worth of the Bank increased to Rs.91.56 Crore as on March 31, 2024 from Rs.75.58 Crore as on March 31, 2023.

The Capital Adequacy Ratio, i.e. Capital to Risk Weighted Assets Ratio stood at 23.63% as on March 31, 2024 as compared to 21.58% as on March 31, 2023.

Profitability:**(Rs in Lakh)**

Particulars	31-Mar-2024	31-Mar-2023
Interest Earned	7,773	6,626
Other Income	1,177	1,280
Total Income	8,951	7,906
Interest Expended	3,313	2,612
Operating Expenses	3,224	2,907
Provisions & Contingencies	269	199
Total Expenditure	6,806	5,718
Operating Profit	2,414	2,386
Profit Before Tax	2,145	2,188
Provision for Income Tax	535	587
Net Profit	1,610	1,601

The Profit after Tax (PAT) of the Bank for the year 2023-24, is Rs.16.10 Crore compared to Rs.16.01 Crore, for the year 2022-23. The total income increased by 13.21%, at the same time the aggregate of Interest expenses and Operating Expenses increased by 18.42%. The Return on Equity (ROE) stood at 19.27% as on March 31, 2024 and the Return on Assets (ROA) stood at 2.75%. Bank had shown an exceptional performance in the FY 2023-24, which was attributable to the rapid growth in economy in the post-pandemic scenario due to government incentives to all business sectors and other factors.

Priority Sector Advances:

The Priority Sector Advances, after issue of PSL Certificate of Rs. 52 Crore the Priority Sector Advances stood at Rs. 259.05 Crore against the total loan book of Rs. 403.98 Crore, as on March 31, 2024, i.e. at 64%, a healthy 24% above the RBI prescribed benchmark of 40%. Since inception, the Bank's PSL portfolio has always been higher than the benchmark level of 40% of the loan book. Credit for this goes to Micro-finance lending model of the Bank. During the year 2023-24, Bank generated an income of Rs. 84.40 Lakh by issue of PSL Certificates.

Non-performing Assets

There was a net increase of Rs. 1.28 crore in the Bank's Gross NPA book, which, however, stood lower at 1.87% of the loan book, as on March 2024, compared to 1.70%, as on March 2023. Net NPA, third year in continuation, remained at zero level with 100% Provision Coverage Ratio (PCR).

Provision Coverage Ratio:

The Bank maintained a sound PCR throughout the year. Your Bank maintained PCR of 100 % as on March 31, 2024, against same ratio as on March 31, 2023. A high Provision coverage ratio indicates the capacity of the Bank to withstand against unforeseeable future losses.

Investment Portfolio:

The Bank's Investment portfolio stood at Rs.117.77 Crore as on March 2024 against Rs.99.54 Crore as on March 2023 with an increase of Rs.18.23 Crore. The investment portfolio consists of investment in Government Securities only. Bank has been maintaining part of the surplus funds in SLR securities. As against the requirement of 18%, Bank has maintained SLR of 23.39% as on March 31, 2024. The Investment portfolio of the Bank consisted of Rs.77.32 Crore in Held to Maturity category and, Rs.40.45 Crore in Available for Sale category including Treasury Bills, as on March 31, 2024. Bank has no securities/investments under Held for Trading Category. During the year, the Bank had purchased securities worth Rs.10.00 Crore (face value) under Held to Maturity category and securities worth of Rs.63.20 crore (Face value) Treasury Bills shown under Available for Sale category.

The Bank earned Rs.7.60 Crore towards interest on Investment portfolio. The Bank also invests the surplus funds in Fixed Deposit with other Banks and in Mutual Funds (Liquid funds). The Bank earned Rs.2.77 Crore by way of interest income out of Fixed Deposit placed with other Banks and earned a profit of Rs.26.06 lakh, by transacting on Mutual Funds.

The total treasury income (Securities, Fixed Deposit and Mutual Fund) of the Bank for the year 2023-24 stood at Rs.10.63 Crore compared to Rs.8.93 Crores in the previous year 2022-23, thus recording a growth of 19 %.

During the current HY, market conditions are not conducive. Hence, the Bank could not book any profit by sale of AFS investments.

Reserve Bank of India vide RBI/DOR/2023-24/104, DOR.MRG.36/21.04.141/2023-24, September 12, 2023, has revised the guidelines relating to the classification, valuation and operation of Investments portfolio and advised to transit to revised guidelines with effect from 1st April 2024. These revised guidelines come in to effect from 1st April, 2024. Accordingly, the Bank has implemented the guidelines and necessary changes in the ALMICO policy in compliance with these revised guidelines after obtaining approval of the Board.

Dividend:

The Bank has not proposed/declared any dividend for the financial year 2023-24.

Performance Highlights and Key Indicators at a glance:**(Rs in Lakh)**

Sl. No	Parameters	31-Mar-2024	31-Mar-2023
1.	Deposits	49,243	45,109
2.	Advances	40,398	36,842
3.	Total Business (Deposits + Advances)	89,641	81,951
4.	Non SLR Investments	NIL	NIL
5.	SLR Investments	11,777	9,953.86
6.	Capital & Reserves	9,102	7,558
7.	CRAR %	23.63	21.58
8.	CASA%	15.05	15.14
9.	Priority Sector Loan %	64.12	68
10.	Gross NPA %	1.87	1.70
11.	Net NPA %	0	0
12.	Other Income to Total Income %	13.15	16.19
13.	Operating Cost to Total Income %	36.01	36.77
14.	Staff Cost to Total Income %	22.33	23.49
15.	Cost of Deposits%	7.22	6.61
16.	Yield on Advances%	17.57	18.09
17.	Interest Spread%	7.90	9.03
18.	CD Ratio%	82.04	81.67
19.	Cost of Funds%	7.22	6.61
20.	Return on Assets%	2.75	3.16
21.	Return on Equity%	19.27	23.72
22.	Earning Per Share	11.99	11.93
23.	Net worth	9,156	7,558
24.	Book Value per share	68.33	56.40
25.	Cost/Income Ratio	57.18	54.92
26.	Yield on Investments	6.90	6.95
27.	No of Employees	349	335
28.	Average age of employee in Year	40	40
29.	Business per Employee (Rs. In lacs)	256.85	244.63
30.	Profit per Employee (Rs. in Lacs)	4.61	4.78
31.	Net Interest Margin%	7.62	7.92

Expansion in the Area of operation and Branch Network

During the year 2022-23, the Bank operated through 29 branches. The Bank proposes to convert the existing 14 BC locations in to full-time Banking outlets/Branches, subject to approval of Reserve Bank of India (RBI). During the year, the Bank operated 28 ATMs of which, 3 are offsite ATMs and 25 are onsite ATMs.

The Human Resource (HR):

The Bank has successfully completed twenty-four years of operation, emphasizing sustainable business growth. This growth is driven by the development and enrichment of all stakeholders, including the Bank's employees. In the service industry, human resources are essential for the Bank's existence and growth. With a forward-thinking approach, the Bank remains committed to enhancing the capabilities of its employees, ensuring that they are equipped to handle future challenges while staying updated with banking knowledge. The Bank focuses on employee development through training, mentoring, role enrichment, and assigning challenging responsibilities. Various initiatives are undertaken to meet employees' career progression needs and to improve efficiency.

A Management level committee oversees HR functions within its terms of reference, with the Human Resource Development Committee of the Board reviewing HR policy and supervising HR functions. This committee provides guidance and necessary amendments to adapt to changing needs. The HRD Committee meets biannually and as needed. As of March 31, 2024, the Bank employs 347 individuals, with approximately 35.01% in the age group of 31 to 40 years.

Over the past year, the Bank organized 20 in-house training programs and sponsored employees to attend 11 programs conducted by various institutions.

In addition to a comprehensive compensation policy, the Bank offers various financial and non-financial benefits to boost employee morale and loyalty. These benefits include interest-free festival advances, concessionary interest rates on housing and vehicle loans, and an overdraft facility with liberalized terms and conditions.

Prevention of Sexual Harassment:

Prevention of sexual harassment at the workplace is a critical issue that requires robust mechanisms and proactive measures. The Vishakha Guidelines, established by the Supreme Court of India in 1997, laid the foundation for addressing sexual harassment at the workplace. These guidelines were further reinforced by the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Reserve Bank of India (RBI) issued a circular mandating all banks and financial institutions to implement these guidelines and ensure a safe working environment for women. In compliance with this circular, our bank has constituted an Internal Complaints Committee (ICC) to address complaints of sexual harassment. The committee, comprising senior members and an external expert, is dedicated to preventing and redressing incidents of harassment, ensuring confidentiality and fairness in the investigation process. Regular awareness programs and training sessions are conducted to sensitize employees about appropriate workplace behaviour and the consequences of harassment, thereby fostering a respectful and inclusive workplace culture. To sum up, the Bank has complied with the provision relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. There are no cases filed during the year 2023-24 under Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Information Technology and IT enabled Services

The operations of the Bank are computerised since inception. Over the years Bank has evolved through adoption of New Technologies. In present days, Bank need to improvise the technology in rapid pace to withstand the competition posed by the other Banks and Financial institutions operating in our area of operations. Every year, Bank have been adding new technologies to serve the customers with better facilities; reduce the cost and time of the workforce; enhanced Cyber Security and comply with regulatory requirements; better Management Information Systems etc. With the aim of achieving these objectives in the Year 2023-24 also Bank has worked in the same direction and implement few additional technologies.

During FY 2023-24 Bank has introduced QR Codes, aimed at enhancing our business outreach and digital footprint. Distributed at no cost to business customers, this initiative will help the bank to improve visibility and CASA positions.

Bank has implemented a facility for doing On-Us transactions using RuPay cards by the customers at the POS machines. This initiative is widely accepted by the customers and card usage has also increased.

In our efforts to streamline the management of meetings of the Board of Directors and various committees of the Board, Bank has adopted web-based Meetings software. It supports comprehensive documentation and is accessible across various devices.

To significantly enhance efficiency and ensure compliance with contemporary security standards, and to move from manual & semi-automated to fully automated processes, Bank has on-boarded a cloud-based HR & Payroll Processing software.

Bank has migrated the Financial Inclusion(FI) application and database to cloud environment hosted in a state-of-the-art and Tier IV Data Centre, for better security and 24/7 availability. Bank has launched a new MIS portal and hosted in the cloud environment. This portal is made accessible to all branch users for view/download daily/monthly business reports.

The bank has automated end-to-end transaction processing with Host-to-Host facility with National Automated Clearing House eliminating manual dependencies and enhancing efficiency in clearing process

For strengthening E-Mailing System, Bank has implemented DMARC policies to prevent email spoofing and unauthorized email activities. Additionally, proxy servers are introduced to separate internet and intranet access, and multi-factor authentication (MFA) has been enabled for CBS users to enhance security. To prevent unauthorized access and enhance security, Bank has introduced an automatic screen lock feature in CBS.

To manage large file transfers efficiently, Bank has introduced a cloud-based Data Room, to reduce email clutter and to improve document management, and greatly benefits both branch functionaries and the Corporate Office.

These initiatives reflect our commitment towards leveraging technology for improved operational efficiency, security, and customer service.

Internal Control Mechanism

Banking is a business of managing risks. Risks are managed by putting adequate and effective control mechanism. Your Bank has robust system of Internal Controls, with adequate focus on identifying and managing various classes of Risks, emanating from business and operations and ensuring Compliance of rules and regulations to manage risks, with a view to keeping it aligned to the bank's risk appetite. Bank has developed a suitable Risk Appetite Framework, which contains benchmarks/ceiling/ranges for various Ratios and parameters. The Ratios and parameters are monitored by the Management on a monthly and quarterly basis. Corrective/remedial measures are taken up for deviations. The Bank has established a Risk

Management Department (RMD) for Credit Risk Monitoring and remedial action. Bank has implemented several measures viz. field inspection of accounts at random, Balance confirmation of the customer's account, SMS alerts for transactions in accounts, Verbal communication of Do and Don'ts to the customer at the time of Disbursal, arranging for Customer Awareness programs in collaboration with RBI and actively participating in the Customer awareness programs, Compliance Audit, post furnishing of compliances by the Branches. Bank also conducts, Snap audits, surprise visits, re-appraisal for loans against precious metals. The controlling staff is sensitized about controlling techniques and fraud prone areas in operations at review meetings and on day-to-day basis over emails and video conferencing. The management is cautious about leakage of Income at any point of time. All approvals or authorizations of expenses and allowances, are made as per the Expenditure policy of the Bank. The Gaps in compliance, during the course of business, cannot be completely ruled out. So, as a control mechanism, there is also a department which performs internal audit functions to identify gaps, which the businesses have to fill in within a definite time frame. The internal control mechanism and various control returns are periodically reviewed by the management and the various committees of the Board.

Risk Management

Your Bank has comprehensive and well-developed frameworks to set the risk appetite that is dynamic and in sync with the evolving scenario. Your Bank has put in place prudent policies, processes, limits, controls, and systems to define and analyze the extent of risk in various scenarios over and above those mandated by the regulator. The Risk Management Committee of the Board regularly meets to keep itself updated of any change in the risk profile of the bank and sets guidelines to meet emerging changes in the risk space to keep it within the Bank's Risk Appetite Framework (RAF). The RAF is also dynamic as it is fine-tuned, as and when needed, with the approval of the Risk Management Committee and Board. The Asset Liability Management & Investment Committee (ALMICO) of the management looks into the management of Liquidity risks and ensures adherence to the prudential limits. The Asset Liability Management and Investment Committee of the Board oversees the Liquidity risk and Investment Risk. As the investments of the Bank were made in Government securities only, the Investment Risk of the Bank is negligible. The non SLR investments are in the form of Liquid Mutual Funds where the Risk is minimum compared to other similar options. The ALMI Committee of the Board reviews the investment portfolio. The investment operation of the Bank is subject to internal audit as well as Statutory Audit. The Asset Liability Management Policy of the Bank stipulates broad frame work and parameters for liquidity risk management to ensure that the Bank is in a position to meet its daily liquidity obligations as well as to with stand a period of liquidity stress while maintaining the required CRR and SLR level. The liquidity profile of the Bank is analyzed on a static as well as on adynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratio sand conduct of liquidity stress tests periodically.

Compliance Functions

With increasing complexities in financial products and the greater role of banking in the nation's economy, compliance functions have emerged as very critical to keep the sector stable and strong. Regulators, across the globe, are seized with thinking ways and means to strengthen checks and balances to insulate the financial sector, more specifically the banking sector, from undue risk. The Compliance function in the banking sector has become very dynamic. Back home, the RBI is also regularly coming up with more and more guidelines, penalizing banks when they notice breaches. We are happy to share that your bank has always been very conscious of the importance of compliance functions. The Compliance department, in your bank, for its size, degree of complexities in products, operations, is adequately staffed and has a reporting line which is insulated from business and operations, to avoid conflict of interest. Statutory ratios like SLR, CRR, WACAR, Liquidity Coverage

Ratio, etc. are closely monitored and have been above the stipulated limits, all through. Your Bank is also compliant with the RBI stipulations with regards to Priority Sector Lending, IRAC norms, NPA Provisioning norms, without any deviations.

Internal Audit:

The Bank's Internal Audit department functions and reports independently to the Audit Committee of the Board on the quality and effectiveness of the Bank's internal controls, risk management, governance systems and processes on an ongoing basis, thereby ensuring that the Bank complies with both internal and regulatory guidelines.

The department also carries out the Concurrent Audit function. The Internal Audit Policy is drawn up on the basis of RBI's guidelines on Risk Based Supervision (RBS) through Risk Based Internal Audit (RBIA) and Concurrent Audit System like in any other Commercial Banks. The Audit Committee of the Board comprises of three non-executive independent Directors and is chaired by a Director who is a qualified member of Institute of Chartered Accountants of India. The Audit Committee of the Board reviews and recommends to the Board for changes in the Audit Policy if any and the processes as per the necessity. The Executive Summary of the internal audit and concurrent audit reports are placed before the Audit Committee for review. The Board reviews the efficacy of the internal audit function, effectiveness of controls laid down by the Bank. The Internal Audit team is well staffed and equipped with relevant expertise and tools for efficient Audit function. The internal audit and control functions are always fully geared up to safeguard the assets and interest of the Bank and timely identification of the risks for initiating remedial measures.

The performance of the Internal and Concurrent Auditors are being reviewed periodically for their effectiveness and to strengthen the control mechanism with reference to Internal Audit.

Instructions have been given to the Internal and Concurrent Auditors to educate the operating staff at the Branches and appraise them about the common irregularities observed in their day-to-day operations/ functions. For further effectiveness, SPOT Audits and SNAP Audits are also being conducted at Branches and reviewed frequently. Our Auditors are conducting the staff meetings on the day of concluding the Audit in the Branches and appraise the irregularities noticed and steps to be taken for rectifications and avoid recurrence in future.

The Bank is also ensuring the Compliance Audit for verification of the replies submitted by the Branches for various Audits concluded at the Branches. Invariably all the Documentary evidences are be checked during the Compliance Audit.

The Internal Audit Department's mission is to inculcate the habit of First time doing right to save Time to all Staff working in our Branches.

Corporate Social Responsibility (CSR)

CSR is an integration of business operations and values, whereby interests of all stakeholders including investors, customers, employees, the community and environment is reflected in company's policies and actions. During the FY 2023-24 the Bank has complied with the provisions of Section 135 of the Companies Act, 2013 regarding Corporate Social Responsibility. The Report as required under Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 on CSR activities is set out as Annexure forming part of the Board's Report and the Policy has been uploaded on the Company's website at www.kbsbankindia.com. As per the provisions of the Companies Act, 2013 Bank is not required to constitute any CSR committee as the CSR related matters are being taken care by the Board.

The Bank shall also undertake CSR activities in the year 2023-24 in compliance to the provisions of Section 135 of the Companies Act 2013.

Annual Inspection by Reserve Bank of India:

The Reserve Bank of India has conducted a Select Scope examination of books and account of the Bank with reference to position as on March 31, 2023, under section 35 of the Banking Regulation Act, 1949 during the period 26.03.2024 to 28.03.2024. The Report of the extant examination has been received and Bank has submitted the compliances to the Reserve Bank of India.

Vigilance Mechanism:

In line with the provisions of Section 177 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 Bank has established Vigilance mechanism. The Vigilance mechanism of the Bank functions under the direct supervision of the Audit Committee of the Board. The Vigilance/Fraud cases are dealt with in line with the Vigilance Policy of the Bank and guidelines of the Reserve Bank of India. The Policy is periodically reviewed by the Board and suitably amended whenever needed with approval of the Board. All vigilance cases are investigated and wherever lapses are noticed, suitable actions are taken, in line with the policy. Each vigilance/fraud case is reported to the Audit Committee of the Board and to the Board for their review. They are also reported to the RBI. Your Bank has also whistle blower policy for protection of whistle blower, as part of the Vigilance Policy. The Bank has put in place Board approved Disciplinary Action Procedure for investigation and Disciplinary Action against staff alleged to be involved in fraud or embezzlement cases based on Principles of natural justice.

Customer Service:

Customer service stands as the cornerstone of the Bank's ethos, with an unwavering commitment to ensuring unparalleled customer satisfaction across both digital and in-branch interactions. The Bank perpetually undertakes the strategic relocation of its branches to facilitate enhanced accessibility for its esteemed clientele. Concurrently, it embarks on an ongoing process of refurbishing branch premises, imbuing them with a sense of grandeur, spaciousness, and refined ambiance replete with superior amenities. Paramount facets of branch aesthetics encompass: effortless accessibility, generous spatial design, meticulously crafted internal layouts to accommodate the visiting customers, and the provision of essential amenities such as drinking water, restrooms, and comprehensive air conditioning.

The Bank has toll free numbers for customer service and complaint redressal. The Bank has declared the 15th day of every month as Customers Day. Each Branch has a "May I Help You" counter to assist and educate the customers in transacting at the Branch.

The Bank has established Customer Service Committees at the branch level and a Standing Committee of Customer Service at the Corporate Office level. These Committees convene meetings periodically to meticulously oversee the execution of customer service mandates at branches and Business Correspondent (BC) locations, ensuring continuous amelioration of any deficiencies. The Customer Service Committee of the Board, an august body comprising four members, includes two Non-Executive Independent Directors. This Committee reviews the comments/suggestions of the Bank's Standing Committee on Customer Service. Adhering to the stringent parameters set forth by the Reserve Bank of India (RBI) in the realm of customer service, the Bank diligently examines and implements customer suggestions when deemed suitable and beneficial.

The Bank's pioneering doorstep service model stands as a unique testament to its industry leadership. Customer Service Representatives, Business Development Executives, and Micro Saving Agents extend banking services such as deposit collection and loan instalment recovery directly at the customer's doorstep, issuing receipts akin to the 'charge slips' of POS machines. Additionally, the Bank operates 14 Business Correspondent locations that provide essential banking services to

remote villages within the operating area, alleviating the need for customers to travel to branch locations for major transactions. This includes cash withdrawals, deposits, and electronic fund transfers, all of which can be conducted at BC locations. Customer complaints, including those related to ATMs, are resolved within stipulated time frames. Furthermore, the Bank boasts a dedicated team for the reconciliation of RTGS, NEFT, ATM, IMPS, UPI, and POS transactions, ensuring daily CTS clearing, thereby upholding its commitment to exceptional service standards.

The Bank's ATM network is impeccably maintained, earning a distinguished reputation within its operational area for ensuring that "KBS ATMs always have cash." The Bank expresses its gratitude to the Regional Office of the Reserve Bank of India, other banks and currency chests for consistently supplying adequate cash throughout the year, thereby maintaining 100% uptime across all ATMs.

The Bank offers robust Mobile Banking Services, with Immediate Payment Service (IMPS) via the mobile banking platform gaining widespread acceptance among customers. Since 2020, the Bank has also introduced the Unified Payments Interface (UPI) facility. 37,853 customers have been using Mobile Banking Services as at the end of May 2024. In the year 2023-24, Bank registered a growth of 47.27% in IMPS Transactions over 2022-23. The adoption of digital modes of banking has significantly benefitted customers, enabling them to conduct transactions without physical presence during both the pre- and post-pandemic periods.

Customer Complaints Redressal:

The Grievance Redressal mechanism of an organization is a gauge to measure its operational efficiency and customer service and at the same time acts as an effective tool of managing risks like operational, reputational and compliance risk.

Bank has a three-tier mechanism of Grievance Redressal. Customer Service Committees are in operation at the Branches, Corporate Office and at the Board level to supervise the grievance redressal process. The Branch Customer Service Committee meets at monthly intervals where customers are invited and they interact with the Branch staff. The management level committee i.e. Standing Committee on Customer Service meets once in a quarter and the minutes of such Committees, with suggestions for improving customer service received from the Branches through the Branch Level Customer Service Committee are placed before the Customer Service Committee of the Board, which meets half yearly.

The Bank has designated a senior official as a Customer Grievance Redressal officer and the contact details of the Grievance redressal officer are displayed at the Business places and the website of the Bank. The Bank takes action on the customer complaints/grievances received by all means i.e. over phone, email or written communication. Customer grievances are dealt with, utmost priority, within the ambit of prescribed guidelines. Complaint/suggestion Boxes have been placed at the Branches. The help line number and contact details of the base branch have been displayed at the ATMs for ATM related complaints. As required under the RBI guidelines, an Analysis of Customer complaints and other Important information relating to Customer services has been placed in the website of the Bank.

Government Schemes and Programme:

The Bank participates in eligible Government Schemes. The Bank has now a customer base of around 294374 Customers spread over 1766 villages in the operating Districts. The Bank enables the customers to receive in their accounts the LPG and other subsidy amounts under the DBTL scheme. Bank has entered in to Memorandum of Understanding with New India Assurance Company (NIAC) for participating in the Pradhan Mantri Suraksha Bima Yojana (PMSBY) and with Life Insurance Corporation (LIC) to provide the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). During the Financial year 2023-24 the

Bank has issued/renewed 45,842 insurance policies under the Pradhan Mantri Suraksha Bhima Yojana and 62,005 policies under the Pradhan Mantri Jeevan Jyoti Bima Yojana. The Bank has settled 6 insurance claims under PMSBY and 86 under PMJJBY to the nominees of the deceased customers under the schemes. During the year the claim settlement ratio under PMSBY and PMJJBY was 100% and 98.86% respectively.

Insurance Services:

The Bank has been facilitating customers to avail Life Insurance services. To offer these services, the Bank has made arrangement with AVIVA Life Insurance Company. The overall insurance process and procedures are guided by IRDA and Bank is guided by insurance service partner.

In addition, the Bank has also entered in to a Memorandum of Understanding with New India Assurance Company for participating in the Pradhan Mantri Suraksha Bhima Yojana (PMSBY) and Life Insurance Corporation (LIC) to provide the Pradhan Mantri Jeevan Bhima Yojana (PMJJBY).

Life Insurance: Bank is offering Aviva Group Micro Insurance Plan (AGMIP) product which ensures coverage up to Rs.2.00 Lakh to the loan borrowers and AVIVA Group Credit Life (AGCL) is coverage above Rs.2.00 Lakh to the loan borrowers.

Livestock: Livestock insurance covers the cattle financed by the Bank. KBS Bank finances for the milch animals, mainly buffaloes, cows and sheep and these animals are being insured for their life.

Micro Enterprise Shield (MES): MES insurance is to insure the stock/building of the unit financed by the Bank. This insurance is being offered with a sum insured of maximum of Rs.1.00 Crore.

Business Correspondents (BC) operations:

Bank, through its outreach Programme has been extending banking services through BC outlets. The Bank is on a growth phase through outreaching its presence viz., Brick and Mortar (MODEL-1) and also reaching the unreached through the "ultra-small" outlets called 'Customer Service points' (CSP) (MODEL-2).

The Identification of CSPs, placement of manpower, providing all digital related equipment etc., is being taken care of by the M/s. Gram Tarang Inclusive Development Services (GTIDS) who is Bank's Business Correspondent (BC), an outsourced agency which is affiliated to Centurion University.

Bank has a BC model with a fixed banking outlet which is provided with CBS (B@ncs 24) at the front office and is connected through a 'Airtel RF network' connectivity with the base branch. 3 (Three) ATMs were also operationalized in the 14 fixed BC locations which were attached to the base branches, day to day transactions are being handled by 14 Transaction Assistants (TAs), the employees who are on the rolls of GTIDS, a National BC engaged by the Bank for financial inclusion (FI) business activities.

As untapped potential is available in the operational area of the Bank, the Bank has proposed a new initiative of going digital through CSP model after obtaining Board's consent. This type of initiative henceforth will be termed as 'Model -2'. In this model the CSPs will be managed to begin with mostly by women from the residing village location. Thus, the Bank's vision of reaching the unreached is being achieved.

Under Model-1, BC outlets are situated in 14 locations linked to 11 Base branches where the transactions are carried out by Transaction Assistants who are the employees of GTIDS. Apart from TAs, Bank's CSR/ BDX staff are also functioning for doing the Bank's activities/ business.

Digital Push:

As reported earlier, Bank has embarked upon a Digital move through the Customer Service Point (CSP). The operations at the first two CSP points started from Bank's formation day (28th February-2022). The team has identified 150 potential CSP locations. The progress is slow due to quick turnout of core field team, albeit GTIDS would have identified around 200 points by this time. Currently, a few transactions are reported to be happening and almost all the transactions of Aadhar Enabled Payment System (AEPS) are happening at 34 CSPs.

Though 65 CSP locations are identified and BC Agents are employed, only 35 Agents are active as of now. During 2023-24, CSPs did 17076 AePS transactions for an amount of Rs 446.72 lacs.

A cumulative of 28,350 transactions amounting to Rs. 776.69 lakhs happened through CSPs since inception. After the new CSPs become operational, transactions are likely to rise at CSPs. All these transactions are "OFF US" only. In response to the requests and enquiries for "ON US" transactions, Bank has already rolled out the "ON US" transactions in Feb/ Mar 2024 in the CSP points and CSP agents are being followed up for improving the 'ON US' transactions in a big way.

BC Workflow:

These 14 BC locations offer services like Account opening, Remittances, day-to-day transactions for the Bank customers. However, loan sourcing /processing is being taken care of by the Bank staff through Customer Service Representative (CSR), Business Development Executives (BDX), who are on the rolls of the Bank. These BCs are now networked with "Airtel RF" as primary connectivity and "4G MPLS" as a secondary line of connectivity. However, in the case of the Model -02, the connectivity to the devices etc., will be through GPRS and is being taken care of by GTIDS. In addition to regular transactions under the Model-02, BC Agent of CSP is also required to source loans between Rs 10,000/- to Rs 25000/-. They are also responsible for recovery of loan installments. Bank Mitras will be moving from place to place in and around villages and towns for mobilization of deposits i.e. Savings A/c's, Daily/weekly deposits, recurring deposits and term deposits. A few of the Bank Mitras of GTIDS are also sourcing of Rs. 1.00 lakh and above loans.

Under the Model-02, the objective of financial inclusion will be achieved through Digital mode of services which is the order of the day viz., A@ePS, Direct Money Transfer, Bill Payments, Account opening, Micro Loans origination, EMI collection etc.,

The business performance of the National BC (GTIDS staff – MSA, TA, CSP) as on 31.3.2024 stands at CASA of Rs. 13.23 cr and Fixed Deposits of Rs. 48.20 cr, thus total deposits of Rs. 61.43 cr which is 12.49% of Bank's deposits. Similarly, BC Staff mobilized total advances of Rs. 3.86 cr which is 0.96% of Bank's advances.

Samruddhi Sukshma Loan (SSL) APP:

The small ticket loan up to Rs. 25,000/- is a tailor-made loan and is being offered through the agents of CSPs (Bank Mitras) and also through field staff. The SSL loan process is through a "digital platform" right from origination to the end of pre-sanction stage through HHD by means of an 'Android' app. Now SSL loans are being done through this "App" only.

As on 31.3.2024, Bank's SSLs stood at 3985 loans with outstanding of Rs. 4.71 cr and the NPAs are negligible at Rs. 3.00 lacs.

Auditors and Auditors Report:

M/s.ASK & Co, Chartered Accountants, Hyderabad, the Statutory Auditors of the Bank for the financial year 2023-24, have Audited the accounts of the Bank for the year and have submitted the Statutory Audit Report.

As per the RBI Circular No RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) the tenure of Statutory Auditors is for a continuous period of three years, subject to the firm satisfying the eligibility norms each year. M/s. ASK & Co, Chartered Accountants have completed their third year of tenure as Statutory Auditors of the Bank. They shall hold the office till the conclusion of this Annual General Meeting of the Bank. Hence as per the extant guidelines, the Bank needs to appoint a new audit firm as Statutory Auditors of the Bank.

Your Directors have recommended for appointment of M/s K V S R Y Associates, Chartered Accountants, Hyderabad as Statutory Auditors of the Bank for a period of three year starting from the financial year 2024-25, subject to satisfying the eligibility norms each year. The appointment is subject to the prior approval of the Reserve Bank of India and the shareholders in this Annual General Meeting of the Bank.

Corporate Governance:

The Bank has always adopted practices and policies to ensure a culture of good Corporate Governance. This is done through a three tier management structure –The Branch management, The Corporate Office supervision and thirdly the Board level supervision.

The Board has been constituted in accordance with the Banking Regulation Act, 1949. During the financial year 2023-24 the Board comprised seven well experienced personalities from the fields of Banking, Finance, SME, agri-business and rural development, technology, education, finance, accounts, auditing and research.

Changes of Board of Directors:

As on March 31, 2024, the Board comprises five Independent Non-executive Directors (including the Part Time Chairman), Managing Director and one Non-executive Professional Director as members. Mr. Vedantham Jagan Mohan was appointed as Non-executive Professional Director and Mr. Dantu Indu Sekhar was appointed as Independent Director w.e.f. 20th October 2022, which has been approved by resolutions passed in the 24th Annual General Meeting of the Bank held on 21st September 2023. The Reserve Bank of India has approved the reappointment of Mr. D. Durga Prasad as Managing Director & CEO of the Bank for the third consecutive tenure of three years starting from 1st of July 2023. Mr. SM Farooque Shahab was appointed as Part time Chairman of the Board vide RBI letter DOR. GOV. No. S2716/29.55.001/2021-22 dated December 7, 2021, with an honorarium of Rs.9.00 lakh per annum for a period of three years from Dec 7, 2021. His present tenure as Part time Chairman shall expire on Dec 6, 2024. Bank has applied to Reserve Bank of India for extension of his tenure. Mr. Vedantham Jaganmohan, Non-Executive Director (DIN 00821049) of the Bank, who retires from office by rotation in the ensuing Annual General Meeting, and being eligible, has offered him-self for re-appointment as Director.

Meetings of the Board and Attendance:

The Board of Directors have met 9 (Nine) times during the Financial Year 2023-24 on April 27, 2023, May 5, 2023, July 20, 2023, September 21, 2023, November 24, 2023, December 14, 2023, January 22, 2024, February 20, 2024, March 13, 2024.

Attendance of Directors in the Board meetings:

Sl No.	Name	Number of meetings entitled to during FY 2023-2024	Number of Meetings attend attended FY 2023-2024
1	Mr. SM Farooque Shahab	9	9
2	Mr. V Narsi Reddy	9	9
3	Mr. Vedantham Jaganmohan	9	9
4	Mr. Dantu Indu Sekhar	9	8
5	Ms. B Vijayalakshmi	9	8
6	Ms. Geetha Mikkilineni	9	9
7	Mr. Durga Prasad Donepudi	9	9

The Board reviews the matters covered under the Reserve Bank of India's circular on Calendar of Reviews issued from time to time.

The profiles of the Directors have been verified and are in compliance with the Fit and Proper criteria issued by Reserve Bank of India. The Directors have submitted the annual declarations/disclosure forms as required under section 184, 149 of the Companies Act, 2013.

Board Evaluation:

The Nomination and Remuneration committee of the Board conducts carries out the due diligence for the Fit and Proper status of the Directors other than the members of the Committee. Further the due diligence for the Fit and Proper status of the members of the Nomination and Remuneration committee is carried out by the Board.

A separate meeting of the Independent Directors was held for evaluation of the Board's performance, its Committees and individual Director(s).

The performance evaluation is carried out through a structured questionnaire which provides a clear and valuable feedback for Board effectiveness and highlighting areas for further development.

Committees of the Board:

The Bank has ten committees of Directors at the Board level. Details of the composition of the committees of Board as on March 31, 2024 and number of meetings of these committees held during FY 2023-24 are furnished hereunder:

S. No	Name of the Committee	Composition of the Committee as on March 31, 2024	Designation	Date of meetings held during the FY 2023-24
1	ALMI Committee	1. Mr. SM Farooque Shahab	Chair	April 27, 2023
		2. Mr. V Narsi Reddy	Member	July 20, 2023
		3. Mrs. Geetha Mikkilineni	Member	November 24, 2023
		4. Managing Director	Member	January 22, 2024
		5. GM & CFO	Permanent Invitee	February 15, 2024
2	Executive Committee	1. Mr. D. Indu Sekhar	Chair	April 27, 2023
		2. Mr. V. Narsi Reddy	Member	July 20, 2023
		3. .Mrs. B. Vijayalakshmi	Member	November 24, 2023
		4. Managing Director	Member	January 22, 2024
3	Audit Committee	1.Mrs. Geetha Mikkilineni	Chair	April 27, 2023
		2. Mr. V. Narsi Reddy	Member	June 13, 2023
		3. Mr. D. Indu Sekhar	Member	July 20, 2023
				September 21, 2023 November 24, 2023 January 22, 2024

S. No	Name of the Committee	Composition of the Committee as on March 31, 2024	Designation	Date of meetings held during the FY 2022-24
4	Human Resource Committee	1. Mr. SM Farooque Shahab	Chair	July 20, 2023 March 12, 2024
		2. Mr. V. Jaganmohan	Member	
		3. Mr. D. Indu Sekhar	Member	
		4. Managing Director	Member	
5	Customer Service Committee	1. Mrs. B. Vijayalakshmi	Chair	July 20, 2023 November 24, 2023
		2. Mr. V. Jaganmohan	Member	
		3. Mr. D. Indu Sekhar	Member	
		4. Managing Director	Member	
6	Risk Management Committee	1. Mr. V. Narsi Reddy	Chair	November 24, 2023 March 12, 2024
		2. Mr. SM Farooque Shahab	Member	
		3. Mrs. B. Vijayalakshmi	Member	
		4. Managing Director	Member	
7	Information and Communication Technology Committee	1. Mr. V. Jagan Mohan	Chair	April 27, 2023 July 20, 2023 November 24, 2023 January 22, 2024
		2. Mr. V. Narsi Reddy	Member	
		3. Mrs. Geetha Mikkilineni	Member	
		4. Managing Director	Member	
		5. DGM & CITO	Permanent Invitee	
8	Share Allotment & Transfer Committee	1. Mr. V. Jaganmohan	Chair	January 22, 2024 March 12, 2024
		2. Mr. SM Farooque Shahab	Member	
		3. Ms. Geetha Mikkilineni	Member	
9	Nomination and Remuneration Committee	1. Mr. V. Narsi Reddy	Chair	April 27, 2023 July 20, 2023 March 12, 2024
		2. Mr. D. Indu Sekhar	Member	
		3. Mr. V. Jagan Mohan	Member	
		4. Managing Director	Member	
10	Credit Committee	1. Mr. D. Indu Sekhar	Chair	April 27, 2023 July 20, 2023 November 24, 2023 January 22, 2024
		2. Mr. SM Farooque Shahab	Member	
		3. Mrs. B. Vijayalakshmi	Member	
		4. Managing Director	Member	

Directors Responsibility Statement under section 134(5) of the Companies Act, 2013:

Your Directors confirm that:

- In preparation of the annual accounts, applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
- The accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2024 and of the profit of the Bank for the year ended March 31, 2024.
- Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 and Banking Regulation Act, 1949 and other applicable laws, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.
- Proper and adequate systems have been devised and implemented to ensure compliance with the provisions of all applicable laws and such systems are operating effectively.

Policy on Appointment and Remuneration of Directors:

The Bank has a Nomination and Remuneration Committee of the Board constituted in accordance with the provisions of section 178 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014.

Policy on Appointment of Directors:

The appointment of Directors is subject to the possession by the candidate of the prescribed experience under section 10-A of The Banking Regulation Act, 1949. The candidate must qualify the Fit and Proper criteria prescribed in the circular on "Fit and Proper" Criteria for Directors on the Boards of Banks" issued by the Reserve Bank of India from time to time for being appointed as a Director.

The Nomination and Remuneration Committee determines the 'Fit and Proper' status of the existing Directors/proposed candidates based on the broad criteria i.e. Educational qualification, experience and field of expertise, track record and integrity as prescribed by the Reserve Bank of India and the Banking Regulation Act, 1949. The appointment of Managing Director is made subject to compliance to the 'Fit and Proper' criteria guidelines and approval of the Reserve Bank of India. The Directors do not have any pecuniary relationship with the Bank except to the extent of payment of sitting fees to the Directors for attending the Board meetings and Committees of the Board meetings and remuneration paid to the Managing Director.

Policy on Remuneration to Directors:

The remuneration paid to the Managing Director is approved by the Reserve Bank of India alongside the appointment. The Honorarium paid to the Part time Chairman of the Board is approved by the Reserve Bank of India alongside the appointment. The Directors other than the Managing Director are paid sitting fees for attending the Board and Committees of the Board meetings as fixed by the Board in accordance with the provisions of Section 197 of the Companies Act, 2013 and Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

None of the other Directors are paid any remuneration other than sitting fees for attending meetings of the Board and Committees and reimbursement of eligible expenses. Reserve Bank of India vide letter DOR. GOV. No. S2716/29.55.001/2021-22 dated December 7, 2021, has approved the appointment of Mr. SM Farooque Shahab as Part Time Chairman of the Board w.e.f. Dec 7, 2021 at an honorarium of Rs. 9.00 lakh per annum for a period of three years.

Declaration by Independent Directors:

All Directors have submitted the fit and proper Forms and declarations as prescribed by the Reserve Bank of India and the annual disclosure forms as prescribed under section 184 of the Companies Act, 2013 for the FY 2023-24. The Independent Directors have furnished the Declarations in the format prescribed under section 149(6) for the FY 2023-24. The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

Foreign Exchange earnings and outgo:

The business of the Bank is such that there is neither earning nor outgone Foreign Exchange.

Statutory Disclosure:

Considering the nature of activities of the Bank, the particulars required under Section 134 (3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, regarding energy conservation, Technology absorption etc. do not apply. However, the Bank is using technology commensurate to its size and requirements for the legally permitted transactions. The Bank has been operating in a fully computerized environment since inception. The Branches and Business correspondent locations operate on the Core Banking Solution. The field staff of the Bank uses Handheld Devices for transactions at the field. The Bank has 30 ATMs, of which three are off-site ATMs. Bank has Mobile Banking facility enabled for conducting IMPS/RTGS/UPI and NEFT transactions. The Bank continues its effort to create awareness among the employees for saving the power and resources, wherever possible. Pursuant to section 134(3) (a) of the Companies Act, 2013, the annual return has been placed in the website of the Bank under the download section.

Change in the Nature of Business, if any:

There is no change in the nature of business during the FY 2023-24.

Material changes and commitment if any affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate and the Date of the Report:

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate and on the date of this report.

Details of Subsidiary/Joint Ventures/ Associate Companies: NIL

Details of Significant and Material orders passed by the Regulators, Courts and Tribunals impacting the going concern status and the Company's operations in the future:

No significant and material order has been passed by the regulators, courts, tribunals impacting the going concern status and Company's operations in future.

The details of an application made or any proceeding pending under the Insolvency & Bankruptcy Code, 2016 during the year along with their status as at the end of Financial Year 2023-24 (according to the Companies (Accounts) Amendment Rules, 2021): NIL

Deposits (Rule 8(5) (V) of Companies (Accounts) Rules, 2014): Being a Banking company, this disclosure is not applicable.

Related Party Transactions:

The particulars of contracts or arrangements or transactions with related parties as per the Section 188 of the Companies Act, 2013 entered/executed by the Company during the financial year ended March 31, 2024 is stated in the notes on Accounts forming part of the Annual Report. Further there are no materially significant related party transactions during the year under review with Promoters, Directors, Key Managerial Personnel and their relatives which may have potential conflict with interest of the company at large.

Acknowledgements:

Your Directors place on record their sincere appreciation for the support and guidance that the Bank has received from the Reserve Bank of India, other regulatory authorities, other Banks and various stakeholders and organizations collaborating with the Bank in different initiatives. The Directors also place on record their appreciation of the support and the trust reposed by valued customers and solicit their continued support and cooperation. Your Directors express their sincere thanks to M/s ASK & Co, Chartered Accountants, the Statutory Auditors of the Bank and C-Edge Technologies Ltd., M/s Olive Crypto technologies for their continued support and guidance. Your Directors also wish to place on record their most sincere appreciation of the commitment, support and sincere efforts put in by the staff in Customer Service as well as growth of the Bank during the year and look forward to their continued cooperation in realization of the corporate goals in the years ahead.

On behalf of the Board of Directors

Place: Hyderabad
Date: July 30, 2024

Sd/-
SM Farooque Shahab
Part Time Chairman
DIN 09214092

Sd/-
Durga Prasad Donepudi
Managing Director & CEO
DIN 07031463

Corporate Social Responsibility

(Disclosure pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014)

1. Brief outline on CSR Policy of the Company.

The CSR Policy of the Bank has been framed in line with the provisions of the Section 135 of the Companies Act, 2013 and the Companies (Corporate Social responsibility Policy) Rules, 2014. Under the CSR Policy the Bank is taking up one or more activities as specified in Schedule VII of the Companies Act, 2013 in the local area of operations of the Bank, apart from contribution to specified funds.

2. Composition of CSR Committee:

Pursuant to subsection (9) of Section 135, the Bank is not required to constitute CSR Committee and the functions of the CSR Committee are being discharged by the Board of Directors.

3. Web-link to CSR Policy and CSR projects approved by the Board: <https://kbsbankindia.in/csr-policy.php>
4. Executive summary along with web-link(s) of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014: Not applicable.
5.
 - a) Average net profit of the company as per sub-section(5) of section 135: Rs.16,10,66,144/-
 - b) Two percent of average net profit of the Company as per sub-section(5) of section 135: Rs. 32,21,323/-.
 - c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: NIL
 - d) Amount required to be set-off for the financial year, if any: Rs.2,310 (Excess spent in year 2022-23).
 - e) Total CSR obligation for the financial year [(b)+(c)-(d)] Rs. 32,19,013/-.
6.
 - a) Amount spent on CSR Projects(both Ongoing Project and other than Ongoing Project): Rs. 32,66,188/-
 - b) Amount Spent in Administrative overheads: NIL
 - c) Amount spent on impact assessment, if applicable : Not applicable
 - d) Total Amount Spent for the Financial Year [(a) + (b) + (c)]: Rs. 32,66,188/-
 - e) CSR amount spent or unspent for the Financial Year:

	Amount Unspent (in Rs)				
Total Amount Spent for the Financial Year (in Rs.)	Total Amount transferred to Unspent CSR Account as per sub - section (6) of section 135.		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135.		
32,66,188	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer
	NIL	NA	NA	NIL	NA

f) Excess amount of set off, if any.

Sl No.	Particular	Amount (In Rs.)
(1)	(2)	(3)
I.	Two percent of average net profit of the company as per sub-section (5) of section 135	32,21,323
II.	Total amount spent for the Financial Year	32,66,188
III.	Excess amount spent for the Financial Year [(ii)-(i)]	44,865
IV.	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	NIL
V.	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	44,865

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub - section (6) of section 135 (in Rs.)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Amount Spent in the Financial Year (in Rs)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub - section (5) of section 135, if any		Amount remaining to be spent in succeeding Financial Years (in Rs)	Deficiency, if any
					Amount (in Rs)	Date of Transfer		
1	FY-1	NIL	NIL	NIL	NIL	NA	NIL	-
2	FY-2	NIL	NIL	NIL	NIL	NA	NIL	-
3	FY-3	NIL	NIL	NIL	NIL	NA	NIL	-

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year : Yes

If yes, enter the number of Capital assets created/ acquired : One

Details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR amount spent(in Rs.)	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
1	Ambulance provided to Community Health Centre, Kodangal Main Road, Kodangal Village, Vikarabad District, Telangana State 509338	509338	26.02.2024	19,63,088	NA	Community Health Centre	Kodangal Main Road, Kodangal Village, Vikarabad District, Telangana State 509338

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub-section (5) of section 135: NA.

Sd/-

Chief Executive Officer and Managing Director

INDEPENDENT AUDITOR'S REPORT

To the Members
KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED
Hyderabad

Report on audit of the Standalone Financial Statements

Opinion

1. We have Audited the accompanying standalone financial statements of KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED ('the Bank'), which comprise the Balance Sheet as at 31st March 2024, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns for the year ended on that date of all 29 branches Audited by us.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking Companies and are in conformity with the accounting principles generally accepted in India and give a true and fair view
 - a. in case of the Balance sheet, of the state of affairs of the Bank as at 31st March 2024;
 - b. its profit in case of Profit and Loss account for the year ended on that date; and
 - c. in case of statement of cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our Audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our Audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the Audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key Audit matters are those matters that, in our professional judgment, were of most significance in our Audit of the financial statements of the current period. These matters were addressed in the context of our Audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
1	<p><u>Income Recognition and Asset Classification</u></p> <p>Classification of Advances and Identification of and provisioning of Non-performing Advances in accordance with the RBI guidelines</p> <p>Advances include Cash credits, Overdrafts loans repayable on demand and Term loans. These are further categorized as secured by Tangible assets (including advances against Books debts), covered by Bank / Government Guarantees and unsecured advances.</p> <p>Advances constitute 65.98% of the Bank's total assets. They are, inter-alia, governed by income recognition, asset classification and provisioning (IRAC) norms and other circulars / directives issued by the RBI from time to time which provides guidelines related to classification of Advances into performing and non-performing Advances (NPA). The Bank classifies these Advances based on IRAC norms as per its accounting policy No. 2.1(b).</p> <p>Identification of performing and non-performing advances involves establishment of proper mechanism. The Bank accounts for all the transactions related to Advances in its Information Technology System (IT System) viz. B@ncs 24X7 which also identifies whether the advances are performing or non-performing. Further, NPA provision is done manually.</p> <p>The carrying value of these advances (net of provisions) may be materially misstated if, either individually or in aggregate, the IRAC norms are not properly followed.</p> <p>Considering the nature of the transactions, regulatory requirements, existing business environment, estimation/judgment involved in valuation of securities, it is a matter of high importance for the intended users of the Standalone financial statements. Considering these aspects, we have determined this as a Key Audit Matter.</p> <p>Accordingly, our Audit was focused on income recognition, asset classification and provisioning pertaining to advance due to the materiality of the balances.</p>	<p>Our Audit approach towards advances with reference to the IRAC Norms and other related circulars / directives issued by RBI and also internal policies and procedures of the Bank includes the testing of the following:</p> <ul style="list-style-type: none"> - The accuracy of the data input in the system for income recognition, classification into performing and non-performing Advances and provisioning in accordance with the IRAC Norms in respect of the all 29 branches Audited by us; - Existence and effectiveness of monitoring mechanisms such as Internal Audit, Systems Audit, Credit Audit and Concurrent Audit are as per the policies and procedures of the Bank; <p>We have examined the efficacy of various internal controls over advances to determine the nature, timing and extent of the substantive procedures and compliance with the observations of the various Audits conducted as per the monitoring mechanism of the Bank and RBI inspection.</p> <p>In carrying out substantive procedures at all the 29 branches Audited by us, we have examined all large advances/stressed advances while other advances have been examined on a sample basis including review of valuation reports of independent valuers provided by the Bank's management.</p> <p>We have also relied on the reports of External IT system Audit experts with respect to the business logics / parameters inbuilt in B@ncs 24X7 for tracking, identification and stamping of NPAs and provisioning is calculated manually.</p>

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

5. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

6. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an Audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an Audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the Audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform Audit procedures responsive to those risks, and obtain Audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the Audit in order to design Audit procedures that are appropriate in the circumstances. Under section 143(3)(I) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the Audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the Audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Materiality is the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in
 - (i) planning of the scope of our audit work and evaluating the results of our work; and
 - (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the Audit and significant Audit findings, including any significant deficiencies in internal control that we identify during our Audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the Audit of the financial statements of the current period and are therefore the key Audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013.
8. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our Audit and have found them to be satisfactory;
 - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c. the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our Audit.
 - d. the profit and loss account shows a true balance of profit for the year then ended.

9. Further, as required by section 143(3) of the Act, we report that

- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
- c. The reports on the accounts of the branch offices of the Bank Audited under section 143(8) of the Act by us have been properly dealt with by us in preparing this report;
- d. The Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flows dealt with by this report are in agreement with the books of account.
- e. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI.
- f. On the basis of written representations received from the directors as on 31 March 2024 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2024 from being appointed as a director in terms of Section 164(2) of the Act.
- g. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"
- h. With respect to the other matters to be included by the Auditor's in the Auditor's report in accordance with the requirement of section 197(16) of the Companies Act, 2013 as amended:

In our opinion and to the best of our information and according to explanation given to us, remuneration paid or payable by the company to the directors during the year is in accordance with the section 197 of the Companies Act, 2013.

- i. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank does not have any pending litigations which would impact its financial position
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
 - iv. a. (The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediates") with the understanding, whether recorded in writing or otherwise, that the

Intermediary shall: Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or Provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

- b. The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

Directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or Provide any guarantee, security or the like form or on behalf of the Ultimate Beneficiaries; and

- c. Based on such Audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d) (i) and (d)(ii) contain any material mis-statement.
- v. No Dividend has been declared or paid during the year by the Company.
- vi. The Bank has used such accounting software for maintaining its books of account which has a feature of recording Audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the Audit trail feature has not been tampered with and the Audit trail has been preserved by the company as per the statutory requirements for record retention

For ASK & Co.
Chartered Accountants
FR No: 013735S

Sd/-
N.S. Krishna
Partner
M.No. 233858
UDIN: 24233858BKAZON1051

Date: 25.04.2024
Place: Hyderabad

**"Annexure A" to the independent Auditor's report of even date on the standalone financial statements of
KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of
the Companies Act, 2013**

1. We have Audited the internal financial controls over financial reporting of KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED ('the Bank') as at 31 March 2024 in conjunction with our Audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

2. The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our Audit. We conducted our Audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, to the extent applicable to an Audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the Audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.
4. Our Audit involves performing procedures to obtain Audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our Audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the Audit evidence we have obtained is sufficient and appropriate to provide a basis for our Audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2024, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Date: 25.04.2024
Place: Hyderabad

For ASK & Co.
Chartered Accountants
FR No: 013735S

Sd/-
N.S. Krishna
Partner
M.No. 233858
UDIN: 24233858BKAZON1051

(Rs.)

BALANCE SHEET AS ON	Sch	31-Mar-2024	31-Mar-2023
CAPITAL AND LIABILITIES			
Capital	1	13,42,22,620	13,42,22,620
Reserves and Surplus	2	78,14,11,947	62,15,27,810
Deposits	3	4,92,42,38,544	4,51,08,79,102
Borrowings	4	-	-
Other Liabilities and Provisions	5	41,99,15,705	31,73,02,996
Total		6,25,97,88,816	5,58,39,32,528
ASSETS			
Cash and Balances with Reserve Bank of India	6	11,75,32,925	10,82,45,153
Balances with Banks and Money at Call and Short Notice	7	77,47,48,718	64,85,94,186
Investments	8	1,17,77,27,939	99,53,85,925
Advances	9	4,03,98,45,353	3,68,42,12,203
Fixed Assets	10	3,20,22,668	2,91,01,949
Other Assets	11	11,79,11,213	11,83,93,112
Total		6,25,97,88,816	5,58,39,32,528
Contingent Liabilities	12	47,60,949	27,01,290
Bills for Collection		-	-
Principal Accounting Policies	17		
Notes To Accounts	18		

The schedules referred to above form an integral part of the Balance Sheet
In terms of our report of even date

for ASK & Co.
Chartered Accountants
Firm Regn. No. 013735S

For and on behalf of Board of Directors

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 24233858BKAZON1051

Sd/-
Narsi Reddy Vengala
Director
DIN 08685359

Sd/-
Jagan Mohan Vedantham
Director
DIN 00821049

Sd/-
Geetha Mikkilineni
Director
DIN 02743437

Sd/-
Durga Prasad Donepudi
Managing Director
DIN 07031463

Sd/-
J Murali Krishna
**General Manager &
Chief Financial Officer**

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: April 25, 2024

Audited Financial Statements as on March 31, 2024

(Rs.)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED	Sch	31-Mar-2024	31-Mar-2023
I. INCOME			
Interest Earned	13	77,73,42,490	66,26,36,873
Other Income	14	11,77,15,205	12,79,89,948
Total		89,50,57,695	79,06,26,821
II. EXPENDITURE			
Interest Expended	15	33,12,84,939	26,12,38,272
Operating Expenses	16	32,23,54,409	29,07,46,757
Provisions and Contingencies		8,04,21,603	7,85,52,137
Total		73,40,60,951	63,05,37,166
III. PROFIT / LOSS			
Net Profit/(Loss) for the Year		16,09,96,744	16,00,89,655
Add: Profit/(Loss) Brought Forward		45,00,19,979	32,04,98,257
Total		61,10,16,723	48,05,87,912
IV. APPROPRIATIONS/TRANSFERS			
Statutory Reserve		3,22,22,589	3,20,41,040
Capital Reserve		-	-
Investment Fluctuation Reserve		-	-
Interim and Proposed Dividend		-	-
Tax on Dividend			
Staff Welfare Fund Reserve		12,50,000	12,50,000
Balance Carried Over to Balance Sheet		57,75,44,134	44,72,96,872
Total		61,10,16,723	48,05,87,912
Principal Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of the profit & loss account.
In terms of our report of even date

for ASK & Co.
Chartered Accountants
Firm Regn. No. 013735S

For and on behalf of Board of Directors

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 24233858BKAZON1051

Sd/-
Narsi Reddy Vengala
Director
DIN 08685359

Sd/-
Jagan Mohan Vedantham
Director
DIN 00821049

Sd/-
Geetha Mikkilineni
Director
DIN 02743437

Sd/-
Durga Prasad Donepudi
Managing Director
DIN 07031463

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: April 25, 2024

Audited Financial Statements as on March 31, 2024



SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2024****31-Mar-2023****SCHEDULE 1:CAPITAL****Authorised Capital****25,00,00,000****25,00,00,000**

250,00,000 Equity Shares of Rs. 10/- each

Issued Capital

Issued 13422262 Equity Shares of Rs. 10/- each

13,42,22,620

13,42,22,620

Subscribed & Paid-up capital

13422262 Equity Shares of Rs. 10/- each

13,42,22,620

13,42,22,620

Total**13,42,22,620****13,42,22,620****SCHEDULE 2:RESERVES AND SURPLUS****I. Statutory Reserves**

Opening Balance

12,83,38,260

9,62,97,220

Additions during the Year

3,22,22,589

3,20,41,040

Deductions during the Year

-

-

Total**16,05,60,848****12,83,38,260****II. Capital Reserves**

Opening Balance

27,68,191

27,68,191

Additions during the year

-

-

Deductions during the year

-

-

Total**27,68,191****27,68,191****III. Share Premium**

Opening Balance

3,04,29,380

3,04,29,380

Additions during the year

-

-

Deductions during the year

-

-

Total**3,04,29,380****3,04,29,380****IV. Investment Fluctuation Reserve**

Opening Balance

95,20,000

95,20,000

Additions during the year

-

-

Deductions during the year

-

-

Total**95,20,000****95,20,000**

V. Revenue and Other Reserves

Opening Balance

4,52,000

4,52,000

Addition During the Year

-

-

Deductions during the year

-

-

Total**4,52,000****4,52,000****VI. Balance in Profit and Loss Account**

Opening Balance

45,00,19,979

32,04,98,257

Addition During the Year

12,87,74,155

12,80,48,615

Deductions during the year

12,50,000

12,50,000

Add: Deferred Tax

1,37,393

27,23,107

Less : Depreciation relating to earlier years

-

-

Total**57,76,81,527****45,00,19,979****Total (I to VI)****78,14,11,947****62,15,27,810**

SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2024****31-Mar-2023****SCHEDULE 3:DEPOSITS****A I. Demand Deposits**

(i) From Banks	-	-
(ii) From Others	2,77,89,430	2,72,86,684

II. Savings Bank Deposits

	71,35,06,891	65,56,06,328
--	--------------	--------------

III. Term Deposits

(i) From Banks	-	-
(ii) From Others	4,18,29,42,222	3,82,79,86,090

Total (I, II and III)

	4,92,42,38,544	4,51,08,79,102
--	-----------------------	-----------------------

B. I. Deposits of branches in India

	4,92,42,38,544	4,51,08,79,102
--	-----------------------	-----------------------

II. Deposits of branches out side India

	-	-
--	---	---

Total

	4,92,42,38,544	4,51,08,79,102
--	-----------------------	-----------------------

SCHEDULE 4:BORROWINGS**I. Borrowings in India**

i Reserve Bank of India	-	-
ii Other Banks	-	-
iii Other Institutions and Agencies	-	-

II. Borrowings outside India

	-	-
--	---	---

Total

(Secured borrowings included in I & II above)

SCHEDULE 5:OTHER LIABILITIES AND PROVISIONS

I. Bills Payable & Liabilities	-	-
II. Inter-Office adjustments (net)	-	-
III. Interest Accrued	-	-
IV. Others (including provisions)	41,99,15,705	31,73,02,996
V. Proposed dividend (Inc Dividend Distribution tax)	-	-

Total

	41,99,15,705	31,73,02,996
--	---------------------	---------------------

SCHEDULE 6:CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand (including foreign currency notes)	6,72,13,393	6,63,65,621
II. Balances with Reserve Bank of India (i) in current Account	5,03,19,532	4,18,79,532
(ii) in other Accounts	-	-

Total - (I & II)

	11,75,32,925	10,82,45,153
--	---------------------	---------------------

SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2024****31-Mar-2023****SCHEDULE 7 : BALANCES WITH BANKS AND MONEY AT CALL
AND SHORT NOTICE****I. In India**

I. Balance with banks		
a. in current accounts	23,43,18,728	15,73,03,228
b. in other deposit accounts	54,04,29,990	49,12,90,957
ii. Money at call and short notice		
a. with banks	-	-
b. with other institutions	-	-
Total	77,47,48,718	64,85,94,186

II. Outside India

i. In current accounts		
ii. In Other deposit accounts	-	-
iii. Money at call and short notice	-	-
Total	-	-
Total - (I & II)	77,47,48,718	64,85,94,186

SCHEDULE 8:INVESTMENTS

I. Investments in India in		
I. Government Securities	1,17,77,27,939	99,53,85,925
ii. Other approved securities	-	-
iii. Shares	-	-
iv. Debentures and Bonds	-	-
v. Subsidiaries and/or joint ventures	-	-
vi. Others	-	-
Total	1,17,77,27,939	99,53,85,925
Less: Depreciation	-	-
Net Investments	1,17,77,27,939	99,53,85,925
II. Investments outside India in		
I. Government securities (including local authorities)	-	-
ii. Subsidiaries and/or joint ventures abroad	-	-
iii. Other investments	-	-
Total	-	-
Total - (I & II)	1,17,77,27,939	99,53,85,925

SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2024****31-Mar-2023****SCHEDULE 9 : ADVANCES**

A	i) Bills purchased and discounted	-	-
	ii) Cash credits, overdrafts and loans repayable on demand	9,12,18,600	10,51,22,339
	iii) Term Loans	3,94,86,26,753	3,57,90,89,864
	Total	4,03,98,45,353	3,68,42,12,203
B	i) Secured by Tangible Assets	3,87,61,20,409	3,53,29,22,056
	ii) Covered by Bank/Government Guarantee	-	-
	iii) Unsecured	16,37,24,944	15,12,90,147
	Total	4,03,98,45,353	3,68,42,12,203
C	I) Advances in India		
	I) Priority Sectors	2,59,04,88,452	2,50,51,87,078
	ii) Public Sector	-	-
	iii) Banks	-	-
	iv) Others	1,44,93,56,902	1,17,90,25,124
	Total	4,03,98,45,353	3,68,42,12,203
	II) Advances outside India		
	i) Due from Banks	-	-
	ii) Due from Others	-	-
	Total	-	-
	Total (C. I & II)	4,03,98,45,353	3,68,42,12,203

SCHEDULE 10:FIXED ASSETS

I	Premises	-	-
II	Other Fixed assets (including furniture and fixtures)		
	At cost as on 31st March of the preceding year	14,26,31,640	13,37,51,615
	Additions during the year	1,45,95,718	1,23,99,920
	Deductions during the year	48,45,101	35,19,894
	Depreciation to date	12,03,59,589	11,35,29,691
	Total	3,20,22,668	2,91,01,949

SCHEDULE 11:OTHER ASSETS

I.	Inter-Office adjustments (net)	-	-
II.	Interest accrued	3,81,85,399	3,80,59,229
III.	Tax paid in advance / Tax deducted at source	5,43,52,818	5,57,89,448
IV.	Stationery and stamps	26,73,834	34,36,260
V.	Non-banking assets acquired in satisfaction of claims	-	-
VI.	Deferred Tax Asset (Net)	54,17,863	52,80,470
VII.	Others	1,72,81,299	1,58,27,705
	Total	11,79,11,213	11,83,93,112

SCHEDULES TO BALANCE SHEET AS ON**31-Mar-2024****31-Mar-2023****SCHEDULE 12: CONTINGENT LIABILITIES**

I. Claims against the bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Capital Commitments	-	-
IV. Liability on account of outstanding forward exchange contracts	-	-
V. Guarantees given on behalf of constituents		
a. In India	-	-
b. Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable	47,60,949	27,01,290
Total	47,60,949	27,01,290

(Rs.)

SCHEDULES TO PROFIT AND LOSS ACCOUNT**31-Mar-2024****31-Mar-2023****SCHEDULE 13: INTEREST EARNED**

I. Interest/discount on advances/bills	67,36,22,905	57,47,80,671
II. Income on Investments	7,59,92,556	6,08,24,333
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,77,27,029	2,70,31,870
IV. Others	-	-
Total	77,73,42,490	66,26,36,874

SCHEDULE 14: OTHER INCOME

I. Profit on sale of Asset / Investments	27,44,098	15,64,595
II. Miscellaneous Income	11,49,71,107	12,64,25,353
Total	11,77,15,205	12,79,89,948

SCHEDULE 15: INTEREST EXPENDED

I. Interest on Deposits	33,12,84,939	26,12,38,272
II. Interest on Reserve Bank of India/Inter-bank borrowings	-	-
II. Others	-	-
Total	33,12,84,939	26,12,38,272

SCHEDULE 16: OPERATING EXPENSES

I. Payments to and provision for employees	16,18,73,011	15,49,68,074
II. Rent, taxes and lighting	2,80,52,222	2,51,83,475
III. Printing and Stationery	41,35,193	38,66,990
IV. Advertisement and publicity	6,60,319	5,52,752
V. Depreciation on bank's property	1,16,74,999	1,07,61,806
VI. Directors' fees, allowances and expenses	52,38,607	36,68,739
VII. Auditors' Fees and Expenses	11,69,027	10,42,337
VIII. Law Charges	1,00,000	31,000
IX. Postage, Telephones. Etc.	31,56,849	27,14,432
X. Repairs and maintenance	35,16,070	56,76,792
XI. Insurance	1,26,45,711	1,10,08,942
XII. Other expenditure	9,01,32,401	7,12,71,418
Total	32,23,54,409	29,07,46,757

SCHEDULES TO PROFIT AND LOSS ACCOUNT AS ON**31-Mar-2024****31-Mar-2023****PROVISIONS AND CONTINGENCIES**

I. Provision for Non Performing Assets	3,27,71,329	1,17,29,500
II. Provision on Standard Assets	(60,50,000)	34,50,000
III. Provision for Current Tax	5,35,23,024	5,81,11,915
IV. Prov for Income Tax Prior Years	-	5,83,858
V. Provision for Deferred Tax	-	-
VI. Provision for Depreciation on Investments	-	46,22,414
VII. Other Provisions	1,77,250	54,450
VIII. General Provision	-	-
Total	8,04,21,603	7,85,52,137

The schedules referred to above form an integral part of the profit & loss account.
In terms of our report of even date

for ASK & Co.

Chartered Accountants

Firm Regn. No. 013735S**For and on behalf of Board of Directors**

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 24233858BKAZON1051

Sd/-
Narsi Reddy Vengala
Director
DIN 08685359

Sd/-
Jagan Mohan Vedantham
Director
DIN 00821049

Sd/-
Geetha Mikkilineni
Director
DIN 02743437

Sd/-
Durga Prasad Donepudi
Managing Director
DIN 07031463

Sd/-
J Murali Krishna
**General Manager &
Chief Financial Officer**

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: April 25, 2024

Audited Financial Statements as on March 31, 2024

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1) General:

The Financial Statements are prepared in accordance with the historical cost convention and accrual basis of accounting and are in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Accounting Policies applied are consistent with those applied in the earlier years except as otherwise stated elsewhere. They are also based on the going concern concept and conform to the statutory provisions and practices prevailing in India.

These Financial Statements have been prepared to comply with the Accounting Standards (AS) notified.

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including Contingent Liabilities as on the date of the financial statements and the reported income and expenses for the reporting year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

The normal operating cycle for the company is 12 months.

2) Revenue, Income and Expenditure Recognition:

2.1 Income:

- a) Income on advances classified under standard assets category is recognized on accrual basis.
- b) Income on Non-performing advances is recognized as and when realized as per the IRAC norms
- c) Interest on Investments and Bank Fixed deposits is recognized on accrual basis.
- d) Other Incomes like commission, exchange and other charges are recognized as and when realized.

2.2 Expenditure:

Revenue Expenditure is accounted on accrual basis.

3) Investments:

3.1 In accordance with Reserve Bank of Bank guidelines, the Investment portfolio of the Bank is classified into the following three categories:

- a) Held to Maturity (HTM)
- b) Available for Sale (AFS)
- c) Held for Trading (HFT)

The Investment Portfolio of the Bank will have both SLR and Non-SLR Investments.

3.2 Valuation:

- a) All investments held under HTM category are aggregated classification wise, and accounted for at acquisition cost. However, excess of cost over the face value being premium is amortized over the period remaining to maturity.
- b) Securities held under AFS category are valued scrip-wise, at market / estimated realizable value (worked out as per RBI guidelines) and aggregated classification wise.
- c) Treasury bills under AFS category are valued at carrying cost.
- d) The net depreciation under each group of classification, if any, is fully provided for, while net appreciation is ignored.
- e) Securities held under HFT category are to be valued scrip wise at monthly intervals at market / estimated realizable value and aggregated classification wise. However, there are no securities under this category.
- f) The shifting of securities as allowed by RBI as part of one-time transfer of securities from one category to another is done at the lowest of the acquisition cost, book value or market value and treated as book value in the new category.
- g) Investment fluctuation reserve: As per Reserve Bank of India guidelines, Investment Fluctuation Reserve (IFR) of a minimum 2% of the investment portfolio comprising of investments held in "Available for Sale" categories should be created. Bank has provided investment Fluctuation reserve of Rs.95.20 lakh in earlier years and presently Bank is having the AFS portfolio with net Book value of Rs.16.31 as on March 2024 other than Treasury Bills

4) Advances:

- a) The loans are classified as secured and un-secured after taking into consideration, the estimated value of primary security in terms of Livestock, Standing Crops, Other assets and collaterals hypothecated / mortgaged, wherever applicable.
- b) The loans and advances are classified as performing and non-performing assets as per IRAC norms prescribed by Reserve Bank of India
- c) Non performing assets (NPAs) are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:
 - i) Sub-standard: A loan asset that has remained non-performing for a period of less than or equal to 12 months.
 - ii) Doubtful: A loan asset that has remained in the sub-standard category for a period of not less than 12 months.
 - iii) Loss Assets: A loan asset where loss has been identified but the amount has not been fully written off.
- d) Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:
 - i) Sub-Substandard Assets:
 - (1) Provision of 15% on the total outstanding;
 - (2) Additional provision of 10% for exposures which are unsecured;
 - ii) Doubtful Assets: -
 - (a) Secured portion:
 - i. Upto one year – 25%
 - ii. One to three years – 40%
 - iii. More than three years – 100%
 - (b) Unsecured portion 100%
 - (c) Loss Assets: 100%
- e) Irrespective of the above classification, where any asset, in the opinion of the management, Auditors and Reserve Bank of India is considered irrecoverable with reasonable efforts, the same is classified as Loss Assets. However, there are no loans under this category.
- f) In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI guidelines which are prescribed below:
 - (a) Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) sectors at 0.25%;
 - (b) Advances to Commercial Real Estate (CRE) Sector at 1.00%;
 - (c) Advances to Commercial Real Estate – Residential Housing Sector (CRE - RH) at 0.75%.
 - (d) All other loans and advances not included in (a) (b) and (c) above at 0.40%.
- g) These provisions on Standard Assets are reflected in Schedule 5 of the Balance Sheet under the head "Other Liabilities & Provisions – Others" and are not considered for arriving at the Net NPAs.

5) Fixed Assets and Depreciation / Amortization:

- a) Fixed Assets are stated at Cost less accumulated depreciation/Amortization.
- b) Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the assets.
- c) Intangible Assets comprising of computer software and licenses expected to provide future enduring economic benefits are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises of purchase price and directly attributable expenditure for making the asset ready for its intended use. Any technology support cost or annual maintenance cost for such software is charged to the Statement of Profit and Loss.
- d) Depreciation on tangible assets is provided on Straight Line Method (SLM) which reflects the management's estimate of the useful life of the respective fixed assets. As per the Companies Act, 2013, Bank has reviewed and fixed the useful life of its fixed assets. Such useful Life of the fixed assets are given here under:

Asset Category	Useful Life of assets in No of Years
1. Assets for Own Use:	
I. Furniture and Fixtures	10
II. Office Equipment	5
III. Professional Equipment (Comprising of Computers, Peripherals, etc)	3
IV. Vehicles	5
V. Leased Premises – constructions	5

- e) Fixed Assets costing less than Rs.5,000/- each are charged off in the year of purchase and put to use.

6) Impairment of Fixed Assets:

- Whenever events or changes in circumstances indicate that the carrying amount of fixed assets may be impaired, such assets are put to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the impairment loss is recognized which is the excess of the carrying amount over the recoverable amount.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying amount after reversal is not increased beyond the carrying amount that would have prevailed by charging usual depreciation if there was no impairment.

7) Provisioning and Write off:

- Provisioning in respect of Non-performing assets is made as per guidelines applicable to Banks, issued by Reserve Bank of India.
- Bank has adopted a policy to write off selective cases, wherever 100% provision is made.

8) Pre-operative Expenditure:

The pre-operative expenditure incurred with regard to shifting of existing branches and opening of new branches are treated as revenue expenditure during the year of shifting. However, during the financial year, the Bank has not booked any pre-operative expenses.

9) Prior Period and Extra Ordinary Items:

Prior Period and Extraordinary items having material impact on the financial affairs are disclosed separately.

10) Employee Benefits:

- Short Term Employee Benefits:** Employees are permitted to encash 10 days' privilege leave once in two years, subject to the sanction from management. For the purpose of leave encashment, Basic pay drawn in the previous month will be taken as the basis for arriving at the amount of leave encashment.
- Long Term Employee Benefits:**
 - Provident Fund:** Every eligible employee shall become a member of the Provident Fund. Contribution is accounted for on actual liability basis and paid to Employees' Provident Fund Organization in accordance with the rules governing the fund in terms of the Provident Fund Act, 1952.

ii) **Gratuity Fund:** The amount of gratuity is payable as per Gratuity Act, 1972 in force, unless disqualified on account of certain types of disciplinary action resulting into termination or compulsory retirement.

iii) Gratuity is being computed as per statutory norms on actuarial valuation basis and paid in to a Trust created with and for this purpose through the group schemes of Life Insurance Corporation of India.

11) Taxes on Income:

- a) **Current Tax** is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.
- b) **Deferred Tax** is recognized on the timing differences – being differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets subject to the consideration of prudence are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

12) Provisions, Contingent Liabilities and Contingent Assets:

- a) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events – it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation.
- b) Contingent Liabilities are not recognized but are disclosed in the Notes.
- c) Contingent Assets are neither recognized nor disclosed in the financial statements.

Net Profit:

- d) Net Profit is arrived at after accounting for the following “Provisions and Contingencies”:

Depreciation and amortization on Investments
Provision for Taxation including Income Tax & Deferred Tax
Provision for Loan losses
Provision for Standard Assets
Provision for NPAs
Other usual and necessary provisions

13) Earnings per Share:

Basic and Diluted earnings per equity shares are reported in accordance with Accounting Standard – 20 – Earnings per Share notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

Basic earnings per equity share have been computed by dividing Net Profit after Tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share is computed by dividing the Net profit after Tax for the year by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

SCHEDULE 18 – NOTES ON ACCOUNTS

I. CAPITAL:

Sl. No	Parameters	31-Mar-2024	31-Mar-2023
I)	Common Equity Tier 1 capital ratio (%)	23.08	20.80
ii)	Tier 1 capital ratio (%)	23.08	20.80
iii)	Tier 2 capital ratio (%)	0.55	0.78
iv)	Total capital Ratio (CRAR) (%)	23.63	21.58
v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
vi)	Amount of Equity capital raised	-	-
vii)	Amount of additional Tier 1 capital raised; of which PNCPS and PDI:	-	-
viii)	Amount of Tier 2 capital raised: Of which Debt capital instrument and Preference share capital instruments:	-	-

ii.

a) INVESTMENTS

(Rs. in Lakhs)

Sl. No	Parameters	31-Mar-2024	31-Mar-2023
1.	Value of Investments		
	a) Gross Value of Investments		
	i) In India	11777.28	9953.86
	ii) Outside India	-	-
	b) Provision for Depreciation		
	i) In India	-	-
	ii) Outside India	-	-
	c) Net Value of Investments		
	i) In India	11777.28	9953.86
	ii) Outside India	-	-
2.	Movement of provisions held towards Depreciation on investments:		
	i) Opening Balance	-	-
	ii) Add: Provision made during the year	-	-
	iii) Less: Provision reversed during the year	-	-
	iv) Closing Balance	-	-

b) Repo Transactions: Bank does not deal in any repo transactions.

c) Non SLR Investment Portfolio:

i. Issuer composition of Non SLR investments

Sl.No	Issuer	Amount	Event of Private Placement	Extent of 'Below Investment Grade Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	Others (mutual funds)	-	-	-	-	-

The Bank is permitted to invest in Liquid Mutual Funds only and being invested in liquid fund of SBI and Other Banks however there is no outstanding balance under Non SLR category as on March 31, 2024.

ii Non performing non-SLR investments: NIL

d) Transfers to/from HTM category

a) During the Financial year, The Bank has shifted securities having aggregate book value of Rs.1631.46 lakh (Face value of Rs.1623 lakh) from HTM category to AFS category with due approval from the Board, as allowed by RBI.

(Rs. in Lakhs)

Sl. No	Date of purchase	Name of Security	Units	Purchase Price	Face Value in Lakh	Book Value (Purchase Value)	Net Book Value in lakh	FIBIL Rate	Market Value in lakh
1	09-Mar-06	7.40% GOI 2035	23,000	96.20	23.00	22.13	22.13	102.56	23.59
2	19-Aug-16	7.85% AP SDL2026	10,00,000	102.28	1,000.00	1,022.80	1,006.85	101.75	1,017.50
3	11-Mar-19	8.35% GJ SDL2029	50,000	100.50	50.00	50.25	50.12	105.02	52.51
4	02-May-19	8.09% APSDL2026	50,000	100.40	50.00	50.20	50.07	102.26	51.13
5	02-Feb-23	7.57% MH SGS2031	3,00,000	100.40	300.00	301.20	301.14	101.87	305.61
6	06-Feb-23	7.65% HARSGS2033	2,00,000	100.60	200.00	201.20	201.15	102.08	204.16
					1,623.00	1,647.78	1,631.46		1,654.50

Book value of the above securities held in HTM category was Rs.16.23 crore, which is more than 5% of the book value of total investment and have been shifted to AFS category after obtaining due approval from the Board. Market value of these securities as per Financial Benchmark India Pvt. Ltd FIBIL is Rs.16.54 crore, which is greater than the Book value hence no provision made.

iii. DERIVATIVES:

The Bank does not deal in any derivatives products.

iv. ASSET QUALITY

Non-Performing Asset

(Rs. in Lakhs)

Item	31-Mar-2024	31-Mar-2023
(i) Net NPAs to Net Advances (%)	-	-
(ii) Movement of NPAs (Gross)		
(a) Opening Balance	626.17	540.57
(b) Additions during the year	2,939.71	2,422.83



Item		31-Mar-2024	31-Mar-2023
	(c) Reduction during the year	2811.88	2,337.23
	(d) Closing Balance	754.00	626.17
(iii)	Movement of Net NPAs		
	(a) Opening Balance	-	-
	(b) Additions during the year	1,657.66	1,844.02
	(c) Reduction during the year	1,657.66	1,844.02
	(d) Closing Balance	-	-
(iv)	Movement of Provision For NPAs (Excluding provisions on standard assets)		
	(a) Opening Balance	626.17	540.57
	(b) Provision made during the year	1,282.05	578.81
	(d) Write-off/Write -Back of excess provisions	1,154.22	493.21
	(e) Closing Balance	754.00	626.17

i) Loan Assets subjected to Restructuring/Rescheduled

The Bank has not rescheduled/ restructured any loan either during the current year or during the previous year.

ii) Details of financial assets sold to Securitization / Reconstruction Company

The Bank has not sold any financial assets to Securitization / Reconstruction Company during current year or the previous year.

iii) The Bank has neither sold nor purchased any non performing financial assets during the current year or previous year.

iv) Provisions on Standard Advances:

(Rs. in Lakhs)

Particulars	31-Mar-2024	31-Mar-2023
Provisions towards Standard Advances	121.34	181.84

v) Business Ration :

Particulars	31-Mar-2024	31-Mar-2023
Interest income as a percentage to Working Funds	14.39	14.29
Non-Interest income as a percentage to Working Funds	2.18	2.76
Operating Profit as a percentage to Working Funds	4.47	5.15
Return on Assets (%)	2.75	3.16
Business (Deposits plus advances) per employee (Rs. in lakh)	256.85	244.63
Net Profit per Employee (Rs. in lakh)	4.61	4.78

vi. Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

(Rs. in Lakhs)

Head	Next Day	2-7 days	8-14 Days	15-28 Days	29-Days and Upto 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 and Upto 3 Years	Over 3 and Upto 5 Years	Over 5 Years	Total
Deposits	1,206.71	753.08	712.63	1,020.10	4,684.25	6,643.93	11,282.04	20,164.73	1,581.78	1,193.14	49,242.39
Loans & Advances	694.23	1,118.92	574.05	79.01	3,977.54	5,460.90	8,924.65	17,120.17	842.13	852.86	39,644.45
Investments & FDR	-	268.20	-	200.00	1,581.02	2,137.86	4,370.80	1,951.16	2,332.21	4,340.32	17,181.58
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

vii. Exposures:

a. Exposure to Real Estate Sector

The Bank has provided housing loans, which are fully secured by mortgage on residential property that is or will be occupied by the borrowers or that is rented and are classified under priority sector. The loans given to commercial real estate are classified as Non priority sector loans.

(Rs. in Lakhs)

Sl. No	Parameters	31-Mar-2024	31-Mar-2023
a)	Direct exposure		
i.	Residential Mortgages		
	Priority Sector	626.74	476.11
	Non Priority Sector	557.29	416.44
ii.	Commercial Real Estate		
	Priority Sector	-	88.13
	Non Priority Sector	137.13	141.27
iii.	Investments in Mortgage Backed Securities (MBS) and other securitized exposures :	-	-
	a. Residential		
	b. Commercial Real Estate.		
	c. Indirect Exposure		
	Total Exposure to Real Estate Sector	1321.16	1121.95

b. Exposure to Capital Market

The Bank has not made any investment in capital market.

c. The Bank has not made any investment in shares/debentures, PSU Bonds and Commercial Papers, as such the investment exposure of the Bank is NIL.

d. Risk category wise Country Exposure

The Bank does not have any overseas operations; hence there is no risk of country exposure.

e. Details of Single Borrower Limit / Group Borrower Limit exceeded

The Bank has not exceeded the prudential exposure limit in the case of single borrower or Group borrower during the current year / previous year.

f. Unsecured Advances

An Unsecured loan is a loan that is not backed by any security, either primary or collateral. It is a loan that is issued and supported only by the borrower's creditworthiness, Joint Liability, Group Pressure, etc., rather than by some sort of collateral. The unsecured advances breakup is as under:

(Rs. in Lakhs)

Particulars	31-Mar-2024	31-Mar-2023
General Purpose Loans	629.81	858.30
Personal loan to staff	-	0.29
Festival advance loan to Staff	20.28	22.57
Staff Clean over Draft	516.43	524.20
Samruddhi Sukshma Loan	470.73	107.54
Total	1637.25	1512.90

viii. i) Amount of Provision made for Income Tax during the year:
(Rs. in Lakhs)

Particulars	31-Mar-2024	31-Mar-2023
Provision for Income Tax – Current	535.23	581.12
Provision for Tax – Earlier years	0.00	5.84
Total	535.23	586.96

ii) Penalties imposed by RBI: NIL**I. Additional Disclosures:****Provisions & contingencies:**

a) The details of provisions debited to Profit and Loss Account

(Rs. in Lakhs)

Particulars	31-Mar-2024	31-Mar-2023
Provision for Non-Performing Assets	327.71	117.30
Provision for Bad debts	1.78	0.54
Provision towards standard assets	(60.50)	34.50
Provision for taxation	535.23	581.12
Provision for Depreciation on Investment	0.00	46.22
Provision for Tax – Earlier years	0.00	5.84
Total	804.21	785.52

- b) The Bank was not having any floating provisions at the end of the financial year 2023-24 and has not made any additional or drawdown the provision during the current year.
- c) During the year the Bank has not drawn down any reserves made in earlier years..

a. Complaints:

Complaints	31-Mar-24		31-Mar-23	
	ATM Complaints	Others Complaints	ATM Complaints	Others Complaints
Number of complaints pending at the beginning of the year	-	-	-	-
Number of complaints received during the year	149	2	90	-
Number of complaints redressed during the year	149	2	90	-
Number of complaints pending at the end of the year	-	-	-	-

- b) No awards were passed by the Banking Ombudsman against the Bank during the current year.
- c) Bank, being a non-scheduled Bank, does not come under the purview of Banking Ombudsman or under Right to Information Act.
- d) The Bank has not issued any Letter of Comfort (LOCs) during the current year.
- e) The Provision Coverage Ratio stood at 100% as at the end of March 24 Vs 100% at the end of March 23.
- f) The Bank has not undertaken any bancassurance business.
- g) **Claims against the Bank not acknowledged as debts:**

The amounts shown under contingent liabilities as on 31st March 2024 are as under:

(Rs. in Lakhs)

S.No.	Particulars	Contingent Liability	
		Amount as on 31.03.2024	Amount as on 31.03.2023
1	Un-Claimed deposits	47.61	27.01
	Total	47.61	27.01

I. Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits:

Particulars	31-Mar-24	31-Mar-23
Total Deposits of twenty largest depositors (Rs in Lakhs)	4448.84	4381.96
Percentage of Deposits of twenty largest depositors to Total Deposits	9.03%	9.71%

b) Concentration of Advances:

Particulars	31-Mar-24	31-Mar-23
Total Advances of twenty largest borrowers (Rs in Lakhs)	780.94	912.33
Percentage of Advances of twenty largest borrowers to Total Advances	1.93%	2.48%

c) Concentration of exposures:

Particulars	31-Mar-24	31-Mar-23
Total Exposure of twenty largest borrowers (Rs in Lakhs)	805.90	1017.19
Percentage of Exposures of twenty largest borrowers/customers to Total Exposure on borrowers/customers	1.34%	1.96%

d) Concentration of NPAs:

(Rs. in Lakhs)

Particulars	31-Mar-24	31-Mar-23
Total Exposure of Top four NPA accounts	60.00	161.00

e) Sector-wise Advances:

(Rs. in Lakhs)

S.No.	SECTOR	2023-24			2022-23		
		Outstanding Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector	Outstanding Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector
A	Priority Sector						
1	Agriculture & allied activities	8,104.14	175.35	2.16	6,836.81	119.45	1.75
2	Industry (Micro & small, Medium and Large)	16,692.54	485.33	2.91	16,872.37	349.01	2.07
3	Services	1,108.20	8.61	0.78	698.26	96.83	13.87
4	Personal Loans	-	-	-	-	-	-
	Sub Total -(A)	25,904.88	669.29	2.58	24,407.44	565.29	2.32
B	Non Priority Sector	-	-	-	-	-	-
1	Agriculture & allied activities	5200	-	-	5,000.00	-	-
2	Industry (Micro & small, Medium and Large)	-	-	-	-	-	-
3	Services	9,273.29	84.71	0.91	7,411.82	60.54	0.82
4	Personal Loans	20.28	-	-	22.86	0.34	1.48
	Sub Total -(B)	14,493.57	84.71	0.91	12,434.68	60.87	2.29
	Total (A) + (B)	40,398.45	754.00	1.87	36,842.12	626.17	1.70

- f) Priority Sector Lending Certificate:** The Bank enters into transactions of sale or purchase of priority sector lending Certificate (PSLCs). During the FY 2023-24, Bank sold Priority Sector Lending Certificates (PSLCs) for a value of Rs.52.00 crore against Rs.50.00 cr in FY 2022-23 and Bank earned a commission of Rs.84.40 lakh in FY 2023-24 against a commission of Rs.31.25 lacs earned in FY 2022-23

g) Movement of NPAs:**(Rs. in Lakhs)**

Particulars	2023-24	2022-23
Gross NPAs	626.17	540.57
Additions (Fresh NPAs) during the year	2,939.71	2,422.83
Sub-total (A)	3,565.88	2,963.40
Less: (i) Upgradations	4.46	4.06
(ii) Recoveries (excluding recovery made from upgraded Accounts)	2,552.64	2,216.48
(iii) Write-offs (including compromises approved)	254.78	116.70
Sub-total (B)	2,811.88	2,337.24
Gross NPAs (A-B)	754.00	626.17

h) Overseas Assets, NPAs and Revenue

The Bank does not have any overseas operations.

xi. Off-balance Sheet Sponsored

The Bank has not sponsored any off balance sheet item.

xii. Un-amortized Pension and Gratuity Liabilities - NIL**xiii. Intra-Group Exposures – NIL****xiv. Transfers to Depositor Education and Awareness Fund (DEAF) :****(Rs. in Lakhs)**

Particulars	2023-24	2022-23
Opening balance of amounts transferred to DEAF	27.01	20.70
Add: Amount transferred to DEAF during the year	20.60	6.31
Less: Amounts reimbursed by DEAF towards claims		-
Closing balance of amounts transferred to DEAF	47.61	27.01

a) Disclosure Requirements as per Accounting Standards:**a) Effect of changes in Accounting Policies: NIL****b) Accounting Standard – 9: Revenue Recognition:**

Revenue and Expenditure have been generally accounted for on Accrual Basis

c) Accounting Standard– 15: Employee Benefits:

Provision has been made for employee benefits viz. Gratuity (as applicable to the Bank) in accordance with the Revised Accounting Standard – 15. The liability of Gratuity was considered as per the statutory norms based on actuarial valuation and paid into a Trust created for this purpose, through the group schemes of Life Insurance Corporation of India.

This is in compliance with the Revised Accounting Standard–15 on Employee Benefits notified by the Institute of Chartered Accountants of India.

d) Accounting Standard – 17: Segment Reporting:

Part A: Business segments:

(Rs. in Lakhs)

Business Segments	Treasury		Corporate/ Whole sale Banking		Retail Banking		Other Banking Operations		TOTAL	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	1,063.25	893.30			6,736.23	5,747.81	1,151.09	1,265.17	8,950.58	7,906.27
Result										
Unallocated Expenses									6,536.39	5,519.85
Operating Profit									2,414.18	2,386.42
Provisions and Contingencies (excluding tax)					268.99	198.56			268.99	198.56
Income Tax									535.23	586.96
Deferred Tax liability/Asset									1.37	27.23
Net Profit									1,609.97	1,600.90
Other Information										
Segment Assets	17,181.58	14,866.77			40,398.45	36,842.12			57,580.03	51,708.89
Unallocated Assets									5,017.86	4,130.43
Total Assets									62,597.89	55,839.33
Segment Liabilities					49,242.39	45,108.79			49,242.39	45,108.79
Un allocated Liabilities									13,355.50	10,730.53
Total Liabilities									62,597.89	55,839.33

Part B: Geographic segments

(Rs. in Lakhs)

SECTOR	DOMESTIC		INTERNATIONAL		TOTAL	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	8,950.58	7,906.27			8,950.58	7,906.27
Assets	62,597.89	55,839.33			62,597.89	55,839.33

e) Accounting Standard – 18: Related Party Disclosures

(Rs. in Lakhs)

Items / Related Party	Parent (As per Ownership or control)	Subsidiaries	Associates / Joint ventures	Key Management Personnel @	Relatives of Key Management Personnel	Total
Rendering of Services				82.27		82.27

The details of remuneration of Key Management Persons of the Bank are appended hereunder: **(Rs. in Lakhs)**

S.No.	Name	Date of Joining	Designation	Remuneration paid	
				FY 2023-24	FY 2022-23
1	Mr. Donepudi Durga Prasad	06-07-2017	Managing Director	44.27	30.25
2	Mr. J Murali Krishna	06-06-2019	General Manager & Chief Financial Officer	19.42	17.37
3	Mr. P A Patnaik	01-01-2011	Company Secretary	18.58	18.30
			Total	82.27	65.92

f) Accounting Standard – 21: Consolidated Financial Statements:

The Bank does not have any Subsidiaries, Joint Ventures or Associates. Hence, Consolidated Financial Statements are not prepared.

g) Accounting Standard - 22: Accounting for Taxes on Income:

Deferred tax Asset arising on account of timing difference between financial statements and taxation statements have been recognized as per the procedure prescribed in Accounting Standard -22 issued by ICAI. The details of components of Deferred Tax Asset / (Liability) are shown below for the Year ended 31.03.2024

(Rs. in Lakhs)

Particulars	Amount
Opening Balance of Deferred Tax Asset/DTL	52.80
Add/Less : Current year Deferred Tax	1.38
Closing Balance Deferred Tax Asset/DTL	54.17

h) Accounting Standard -23: Accounting for Investments in Associates in Consolidated Financial Statements:

This Accounting Standard is not applicable since the Bank has no Associates

i) Accounting Standard -24: Discontinuing Operations

This accounting Standard is not applicable since the Bank did not close any of its branches/activities during the year.

j) Accounting Standard 25: Interim Financial Reporting

Bank is preparing and presenting half yearly financial statements as per guidelines prescribed by Reserve Bank of India

k) Accounting Standard – 28: Impairment of Assets

In the opinion of Bank's Management, there is no impairment to the assets during the year to which Accounting Standard – 28 – Impairment of Assets applies.

l) Accounting Standard – 29: Description of Contingent Liabilities:

1. Claims against the Bank not acknowledged as debts – NIL
2. Other items – An Amount of Rs.47.61 Lacs is transferred to Depositor Education and Awareness Fund (DEAF) of which Rs.20.60 lacs pertain to the financial year 2023-24

The previous year's figures have been re-grouped / re-classified wherever necessary to make them comparable with the current year's figures.

Wherever certain items are not relevant or applicable to the Bank, the same have been omitted.

Other Disclosures:**A. Capital****(a) CRAR**

Particulars	31-03-2024	31-03-2023
CRAR	23.63%	21.58%
Core CRAR	23.08%	20.80%
Supplementary CRAR	0.55%	0.78%

(b) The Bank has not raised any subordinated debt during the current year / previous year.

(c) Risk weighted assets**(Rs. in Lakhs)**

Particulars	Total Assets	Risk weighted Assets
Risk weighted assets - On Balance sheet items	61843.88	39031.75

The Bank does not have any investment from foreign holdings (Foreign Institutional Investors, Foreign Companies, Foreign Financial Institutions, NRIs, Overseas Corporate Bodies etc.,) as on March 31, 2024.

(d) Shareholding pattern as on March 31, 2024

S.no	Particulars	% of holding
1	Corporates	24.67
2	Individuals	75.33
	Total	100.00

B. Asset quality and credit concentration**a) Net NPAs to net loans and advances**

Particulars	31-03-2024	31-03-2023
Net NPAs to net loans and advances	0.00%	0.00%

b) Net NPAs under the prescribed asset classification categories as on March 31, 2024.**(Rs. in Lakhs)**

Category	Gross NPA	Provision	Net NPA	Provision % of Gross NPA
Sub-standard	448.28	448.28	-	100
Doubtful - 1	164.56	164.56	-	100
Doubtful - 2	64.63	64.63	-	100
Doubtful - 3	76.53	76.53	-	100
Grand Total	754.00	754.00	-	100

c) Provisions made towards Standard assets, NPAs, investments and income tax

(Rs. in Lakhs)

Particulars	31-Mar-2024	31-Mar-2023
Provision for depreciation on investments	0.00	46.22
Provision for Non-Performing Assets	327.71	117.30
Provision towards standard assets	(60.50)	34.50
Provision for taxation	535.23	581.12
Provision for Tax – Earlier years	0.00	5.84
Other Provision	1.78	0.54
Total	804.22	785 .52

d) Movement in net NPAs

(Rs. in Lakhs)

Particulars	Mar-24	Mar-23
(a) Opening Balance	-	-
(b) Additions during the year	1657.66	1,844.02
(c) Reduction during the year	1657.66	1,844.02
(d) Closing Balance	-	-

e) Credit exposure as percentage to capital funds and as percentage to total assets, in respect of

Particulars	Credit exposure as Percentage to capital funds	Percentage to Total assets
The largest single borrower	0.71%	0.10%
The largest borrower group		
The 10 largest single borrowers	4.97%	0.73%
The 10 largest borrower groups		
Total Capital funds & Assets (Rs In lakhs)	9,223.51	62,597.89

f) Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets

Particulars	Percentage to total assets
Five largest industrial sectors	–

C. Forward rate agreements and interest rate swaps

The Bank has not made any forward rate agreements and interest rate swaps during the current year / previous year.

D. Business Correspondent Operations

The Bank renewed the appointment of M/s. Gram Tarang Inclusive Development Services Pvt Ltd as Business Correspondent with effect from 01-03-2022 with the approval of Board in the meeting held on 20-01-2022 and continuing as Business Correspondent for the FY 2022-27. The details of the business are as follows:

Particulars	31-Mar-2024	31-Mar-2023
Deposits (Rs in lacs)	6011	5851
Advances (Rs in lacs)	244	211
Percentage to total Deposits	12.21%	12.97%
Percentage to total Advances	0.60%	0.57%
No of Locations	14	14

E. Disclosures on Remuneration

S.No.	Particulars		Remarks		
1	Qualitative disclosures	<p>1. Information relating to the composition and mandate of the Remuneration Committee.</p> <p>2. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.</p>	<p>The Bank has Human Resource Development Committee and Nomination and Remuneration Committee of the Directors. The HRD Committee consists of three directors and the Nomination and Remuneration Committee consists of three directors.</p> <p>Scope of the HRD Committee:</p> <p>The Committee oversees/directs Manpower Planning, Recruitment and assesses Training needs to the staff. The Committee oversees framing and implementation of compensation policy of the Bank on behalf of the Board.</p> <p>Scope of the Nomination and Remuneration Committee:</p> <p>Lays down a framework for assessing "fit and proper" criteria in tune with the RBI Guidelines and ensures its implementation by doing due diligence.</p> <p>The Committee determines the 'fit and proper' status of the existing and proposed Directors and evaluates performance of each director.</p> <p>Identifies and recommends to the Board for appointment and fixing the remuneration to Key Managerial Personnel such as the Managing Director, Chief Financial Officer and the Company Secretary.</p>		
2	Quantitative disclosures.	Number of meetings held by the Human Resource Development Committee and Nomination and Remuneration Committee during the financial year.	Name of Committee	Current Year	Previous Year
			HRD Committee	2	2
			Nomination and Remuneration Committee	3	4

F. Disclosures relating to Securitization

The Bank has not entered into any securitization transaction during the financial year.

G. Credit default swaps

The Bank does not deal in Credit default swaps.

H. Liquidity Coverage Ratio: Bank has been following Basel-I framework which is applicable to Local Area Banks. Hence, Liquidity Coverage Ratio is not applicable**I. Divergence in Asset Classification and Provisioning for NPAs**

(Ref. RBI Cir DBR.BP.BC.No.32/21.04.018/18-19)

(Rs. in '000')

S.No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2023 as reported by the Bank	62616.78
2.	Gross NPAs as on March 31, 2023 as assessed by RBI	-
3.	Divergence in Gross NPAs (2-1)	-
4.	Net NPAs as on March 31, 2023 as reported by the Bank	-
5.	Net NPAs as on March 31, 2023 as assessed by RBI	-
6.	Divergence in Net NPAs (5-4)	-
7.	Provisions for NPAs as on March 31, 2023 as reported by the Bank	62616.78
8.	Provisions for NPAs as on March 31, 2023 as assessed by RBI	-
9.	Divergence in provisioning (8-7)	-
10.	Reported Net Profit after Tax (PAT) for the year ended 31, March 2023	160089.66
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2023 after taking into account the divergence in provisioning	-

J) Reconciliation of ATM and POS Transactions: ATM & POS reconciliation is completed till Mar-24

ATM pending entries summary Transaction Type	31-03-2024		31-03-2023	
	No of Tran	Amount (in lakh)	No of Tran	Amount (in lakh)
Acquirer	412	10.24	420	10.60
Issuer	648	13.81	806	15.84
On us	33	0.89	33	0.89
Total	1093	24.94	1259	27.33

Point of Sale pending entries Summary

Particulars	No of transactions	Amount
Issuer	Nil	Nil

K) Schedule 5 – Details of Other Liabilities and Provisions**(Rs. in Crore)**

Particulars	31-03-2024	31-03-2023
Other Liabilities		
Interest payable on Deposits	23.11	13.19
Other Liabilities	3.32	2.94
Employee Welfare Fund	1.32	1.50
Provisions		
Provision for Standard Asset	1.21	1.82
Provision for NPA	7.54	6.26
Provision for Taxation	5.35	5.81
Other Provisions	0.14	0.21
Total	41.99	31.73

L) Schedule 11- Details of Other Assets**(Rs. in Crore)**

Particulars	31-03-2024	31-03-2023
Advance tax for Income Tax	5.44	5.58
Interest Accrued on Investment, FDRs and Loans	3.82	3.80
Deferred Tax Asset	0.54	0.53
Deposit for Premises	0.68	0.54
Stock of Stationery	0.27	0.34
Un-Claimed deposits receivable	0.48	0.27
Other Assets	0.56	0.78
Total	11.79	11.84

M) Schedule 14 – Details of Other Income**(Rs. in Crore)**

Particulars	31-03-2024	31-03-2023
Profit on sale of Assets/Investments/MF	0.27	0.16
Loan Processing Fees	4.71	6.18
ATM Charges	0.77	0.96
Service Charges and Others	6.02	5.50
Total	11.77	12.80

N) Schedule 16 - Operating Expenses
(Rs. in Crore)

Particulars	31-03-2024	31-03-2023
Professional Charges	3.92	2.85
Fee for Business Correspondence operations	1.22	1.13
Staff petrol, Travel, Boarding and Local Conveyance	1.91	1.61
Office Maintenance	0.92	0.86
Other Expenses	0.70	0.47
Donation	0.02	0.00
Corporate Social Responsibility Exp	0.32	0.21
Total	9.01	7.13

CASH FLOWS STATEMENT
(Amount in Rs.)

S.No.	Particulars	31-Mar-24		31-Mar-23	
A	Cash Flow from Operating activities		32,18,17,645		17,84,42,680
B	Cash Flow from Investing activities		(18,52,62,733)		(14,40,98,717)
C	Cash Flow from Financial activities		(11,12,607)		14,73,107
	Net Change in Cash & Cash Equivalents		13,54,42,305		3,58,17,070
D	Cash & Cash Equivalents at the beginning of the year		75,68,39,339		72,10,22,270
E	Cash & Cash Equivalents at the end of the year		89,22,81,644		75,68,39,339
	Net Change in Cash & Cash Equivalents		13,54,42,305		3,58,17,070
A	CASH FLOW FROM OPERATING ACTIVITIES				
I	Net Profit after Taxes	16,09,96,744		16,00,89,655	
	Add : Tax Provision	5,35,23,024		5,86,95,773	
	Sub Total		21,45,19,768		21,87,85,428
	Less : Amount Transferred to Provision for leave encashment	-	74,800	-	1,94,010
	Sub Total		- 21,44,44,968		- 21,85,91,418
	Adjustments :-				
i	Depreciation on Fixed Assets		1,16,74,999		1,07,61,806
ii	Provision for NPAs		3,27,71,329		1,17,29,500
iii	Provision for Standard Assets		(60,50,000)		34,50,000
iv	Depreciation on Investments		-		46,22,414
v	Interest paid on Subordinated Debts		-		-
vi	Other Provisions				
	Provision for Restructured accounts (interest sacrifice)	-		-	
	Provision for Retired employee's Medical Bills	-		-	

S.No.	Particulars	31-Mar-24		31-Mar-23	
	Adhoc provision for loan loss & Misc. Items /other provision	-		-	
	Provision for Contingent Liabilities	-		-	
	Floating Provision for Loan Losses	-		-	
	Deferred Tax asset for Current year / DTL	-		-	
	Sub Total		25,28,41,296		24,91,55,138
	Less : Direct Taxes (Actual advance Tax paid)		5,25,00,000		5,40,00,000
	Sub Total		20,03,41,296		19,51,55,138
I	Increase in Deposits	41,33,59,442		80,58,44,435	
II	Increase /Decrease in Borrowings	-		-	
III	Increase in Advances	(35,56,33,151)		(75,80,62,769)	
IV	Increase in Other Liabilities & Provisions	1,07,68,157		(13,77,23,235)	
V	Increase/ Decrease in Other Assets	5,29,81,900		7,32,29,110	
	Sub Total		12,14,76,349		(1,67,12,458)
	Net Cash Flow from Operating Activities		32,18,17,645		17,84,42,680
B	CASH FLOW FROM INVESTING ACTIVITIES				
I	Investment in subsidiaries and /or Joint Ventures	-		-	
II	Income Earned on Such Investment	-		-	
III	Increase in Investments	(18,23,42,014)		(14,26,37,238)	
III	Fixed Assets				
	Additions during the year	(64,40,613)		(49,81,374)	
	Deductions during the year	35,19,894		35,19,894	
	Net Cash used in Investing Activities		(18,52,62,733)		(14,40,98,717)
C	CASH FLOW FROM FINANCING ACTIVITIES				
I	Share Capital	-		-	
II	Share Premium	-		-	
III	Subordinated Bonds	-		-	
IV	Redemption of Bonds (Series -1)	-		-	
V	Interest paid on Subordinated Bonds	-		-	
VI	Dividend paid	-		-	
VII	Other Reserves	(11,12,607)		14,73,107	
	Net Cash Provided by (used in) Financing Activities		(11,12,607)		14,73,107
D	CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
I	Cash in Hand (including Foreign Currency Notes)	6,63,65,621		7,85,21,131	

S.No.	Particulars	31-Mar-24		31-Mar-23	
II	Balance with Reserve Bank of India	4,18,79,532		3,87,54,532	
III	Balance with Banks and Money at call and short Notice	64,85,94,186		60,37,46,606	
	Total :		75,68,39,339		72,10,22,270
E	CASH & CASH EQUIVALENTS AT THE END OF THE YEAR				
I	Cash in Hand(including Foreign Currency Notes)	6,72,13,393		6,63,65,621	
II	Balance with Reserve Bank of India	5,03,19,532		4,18,79,532	
III	Balance with Banks and Money at call and short Notice	77,47,48,718		64,85,94,186	
	Total :		89,22,81,644		75,68,39,339

for ASK & Co.
Chartered Accountants
Firm Regn. No. 0137355

For and on behalf of Board of Directors

Sd/-
N.S.Krishna
Partner
M.No. 233858
UDIN: 24233858BKAZON1051

Sd/-
S M Farooque Shahab
Director and
Part Time Chairman
DIN 09214092

Sd/-
Indusekhar Dantu
Director
DIN 08571259

Sd/-
Geetha Mikkilineni
Director
DIN 02743437

Sd/-
Durga Prasad Donepudi
Managing Director
DIN 07031463

Sd/-
J Murali Krishna
General Manager &
Chief Financial Officer

Sd/-
P A Pattnaik
Company Secretary

Place: Madhapur
Date: April 25, 2024

Audited Financial Statements as on March 31, 2024



Financial Highlights for the previous five years

(Rs. in Crores)

Particulars	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
Deposits Outstanding	218.59	247.58	321.29	370.50	451.09	492.42
Advances Outstanding	177.15	199.72	246.15	292.61	368.42	403.98
Income	37.93	46.34	55.22	64.90	79.06	89.50
Expenditure	33.63	38.98	41.65	46.98	55.20	65.36
Operating Profit (Profit before prov & contingencies)	4.30	7.37	13.57	17.92	23.86	24.14
Profit Before Tax (PBT)	3.07	5.84	10.68	15.77	21.88	21.45
Profit After Tax (PAT)	2.12	2.67	7.15	11.72	16.01	16.10
Equity (Capital + Reserves)	39.12	41.72	48.40	59.42	75.58	91.56
Total Assets at the end of the period	275.72	310.93	395.50	466.52	558.39	625.98
No Of Employees	359	350	341	336	335	349

KEY FINANCIAL INDICATORS

Particulars	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
Return on Equity	5.56	6.59	15.87	21.73	23.72	19.27
Return on Avg. Assets	0.85	0.91	2.06	2.74	3.16	2.75
Cost of Deposits	6.98	7.36	7.24	6.85	6.61	7.22
Cost to Income Ratio	82.42	75.07	61.82	57.10	54.92	57.18
Yield on Advances	16.84	17.54	17.75	17.96	18.09	17.57
Average Yield on Assets	14.68	15.34	15.52	15.30	15.64	15.13
Gross NPAs to Advances	4.18	2.82	2.15	1.85	1.70	1.87
Net NPAs to Net Advances	1.92	0.85	0.29	0.00	0.00	0.00
Provision Coverage Ratio	55.07	70.47	86.82	100.00	100.00	100.00
Credit-Deposit Ratio	81.04	80.67	76.61	78.98	81.67	82.04
Capital Adequacy Ratio - Tier-I Capital	22.68	21.50	20.42	20.41	20.80	23.08
Capital Adequacy Ratio - including Tier-II Capital	23.06	21.87	20.84	21.27	21.58	23.63
Business per Employee (Rs.in 000s)	11,023.43	12,779.73	16,640.45	19735.67	24462.96	25685.05
Operating Profit per Employee (Rs.in 000s)	119.9	210.47	397.81	533.20	712.36	691.74
Net Profit per Employee (Rs.in 000s)	58.95	76.16	209.66	348.71	477.88	461.31



Village meeting conducted by Wanaparthi Branch Staff



District Magistrate handing over sanction letter to customer of Wanaparthi Branch during the Credit Loan Mela



Handing over sanction letter to women borrower by Staff of Mahabubnagar Branch



Appraisal and documentation at the doorstep of Prospective borrower customer by Sindhanur Branch staff



Mass recovery drive by leeja Branch staff



Lingusugur Branch staff assisting customer in Mobile Banking app registration



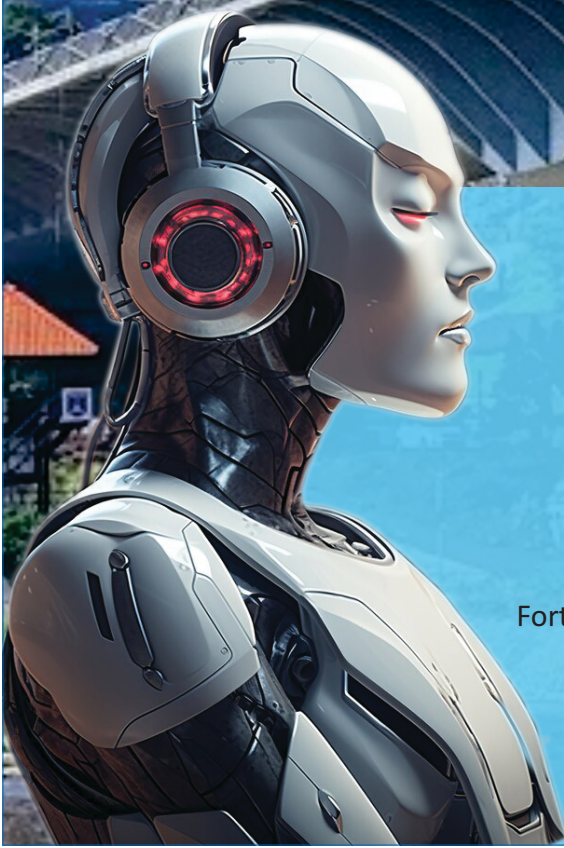
Pre-Dinner motivational talk by Shri Gandham Ravikumar -a motivational Speaker
in the Staff Strategy Meeting @ Kanha Shanthi Vanam



Group Photo of staff @ Kanha Shanthi Vanam during the Strategy meeting



Staff performing Yoga @ Kanha Shanthi Vanam, Yoga Kendra during the Strategy Meeting



Corporate & Registered Office :
1-98/8 to 11/FC/501 and 1-98/8 to 11/FC/502, 5th Floor
Fortune Chambers, Image Garden Function Hall Lane, Silicon Valley
Madhapur, Hyderabad - 500 081, Telangana
Tel : 040 - 4192 3047 | www.kbsbankindia.com