

**2020 - 2021**  
**22<sup>nd</sup> ANNUAL REPORT**



**KBS Bank**

Krishna Bhima Samruddhi Local Area Bank

**Reaching The Unreached**





Meeting of Women Customers of Guljapet under Mahabubnagar Branch

## ಕೆಬಿಎಸ್ ಬ್ಯಾಂಕ್ ನಿಂದ ಗ್ರಾಮ ಸಭೆ

ವಿನಯವಾಣಿ ಸುದ್ದಿ  
ಮಾನ್ಯ. ಅ. 11: ತಾಲೂಕಿನ ಹೀರೆಕೋಟೆಕಲ್ ಗ್ರಾಮದಲ್ಲಿ ಇಂದು ಕೃಷ್ಣ ಭೀಮಾ ಸಮ್ಮದ್ವಿ ಲೋಕಲ್ ಏರಿಯಾ ಬ್ಯಾಂಕ್ ವತಿಯಿಂದ ಗ್ರಾಮ ಸಭೆ ನಡೆಸಲಾಯಿತು.

ಬ್ರಾಂಚ್ ಮ್ಯಾನೇಜರ್ ಆದ ಪ್ರತಾಪ್ ರೆಡ್ಡಿ ಮಾತನಾಡಿ ಬೇರೆ ಬ್ಯಾಂಕಿಗಿಂತ ನಮ್ಮ ಬ್ಯಾಂಕ್ ಗ್ರಾಹಕರಿಗೆ ಅತ್ಯುತ್ತಮ



ಸೇವೆ ಒದಗಿಸುತ್ತಿದ್ದು ಎಲ್ಲಾ ಗ್ರಾಹಕರು ಅದರ ಸದುಪಯೋಗ ಪಡೆದುಕೊಳ್ಳಲು ಸಲಹೆ ನೀಡಿದರು ಮತ್ತು ನಮ್ಮ ಬ್ಯಾಂಕ್ ಯಾವತ್ತೂ ಸಹ ಗ್ರಾಹಕರ ಹಿತ ಕಾಯಲು ಬದ್ಧವಾಗಿರುತ್ತದೆ ಎಂದು ಹೇಳಿದರು. ಈ ಸಂದರ್ಭದಲ್ಲಿ, ಮ್ಯಾನೇಜಿಂಗ್ ಡೈರೆಕ್ಟರ್ ಡಿ.ದುರ್ಗ ಪ್ರಸಾದ್, ಚಿಪ್ ಕ್ರೆಡಿಟ್ ಪ್ಲಾನನ್, ಅಫೀಸರು ಮುರುಳಿ ಕೃಷ್ಣ, ಉದ್ಯಾನ ಗೌಡ ಹೀರೆಕೋಟೆಕಲ್, ವೀರೇಂದ್ರ ಪಾಟೀಲ್ ಹೀರೆಕೋಟೆಕಲ್, ಬ್ರಾಂಚ್ ಮ್ಯಾನೇಜರ್ ರೆಡ್ಡಿ ಪ್ರತಾಪ್ ಗೌಡ, ಗಂಗಧಾರ ಹರವಿ ಹಾಗೂ ಬ್ಯಾಂಕಿನ ಸಿಬ್ಬಂದಿ ಮತ್ತು ಗ್ರಾಮಸ್ಥರು ಉಪಸ್ಥಿತರಿದ್ದರು.

News Clipping of Village Meeting at Hirekotnikal under Manavi Branch



Gramsabha by Gadwal Branch



Field staff with Crop loan customer at Motnalli village under Yadgir Branch



Gramsabha held by Saidapur BC under Yadgir Branch



Senior Citizen meeting held by Dammaiguda Branch at Saket, Hyderabad on the night of New Year



**Board of Directors :**

<b>Ms. Mahpara Ali</b>	Director (Till May 10, 2021)
<b>Mr. V. Jaganmohan</b>	Director (Till June 3, 2020)
<b>Mr. Ravi Shankar Kolathur</b>	Director (Till July 30, 2020)
<b>Mr. V. Narsi Reddy</b>	Director
<b>Mr. T. Eswara Chandra Rao</b>	Director
<b>Ms. B Vijayalakshmi</b>	Director
<b>Ms. Geetha Mikkilineni</b>	Director
<b>Mr. S.M. Farooque Shahab</b>	Additional Director (Since Sep 01, 2021)
<b>Mr. Donepudi Durga Prasad</b>	Managing Director

**Corporate & Registered Office :**

1-98/8 to 11/FC/501 and 1-98/8 to 11/FC/502,  
5th Floor (South Side), Fortune Chambers,  
Image Garden Function Hall Lane, Silicon Valley,  
Madhapur, Hyderabad -500 081  
Tel: 040-2311 3232  
[www.kbsbankindia.com](http://www.kbsbankindia.com)

**Auditors :**

**Sagar & Associates**

Chartered Accountants  
Hyderabad

Firm Regn. No. 003510S

**Registrar and Transfer Agent :**

**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



## Krishna Bhima Samruddhi Local Area Bank

KBS Bank (Krishna Bhima Samruddhi Local Area Bank) is one among the two Local Area Banks presently operating in the country. Today the bank operates in twelve districts in three states viz. Jogulamba Gadwal, Mahabubnagar, Medchal-Malkajagiri, Nagarkarnool, Ranga Reddy, Vikarabad, Wanaparthy and Narayanpet in Telangana; Prakasam in Andhra Pradesh and Kalaburagi, Raichur and Yadgir in Karnataka covering 1766 villages. As on date the Bank has 29 branches and 14 Business Correspondent outlets spread across the operating area. The Bank has its Registered and Corporate office at Madhapur in Rangareddy District.

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 the 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 has taken multiple initiatives in the 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 has been offering various savings and credit products to its customers, customized to suit their requirement. The Bank’s door step banking model is the USP of the Bank, perhaps in the industry too. Under door step banking both deposits as well as credit needs of the customers is being taken care off. The Door step service is delivered by the field staff

equipped with the hand held devices. The very fact that the average size of a deposit account is Rs 13,128/- and that of an outstanding loan account is around Rs 47,426/- would suffice to indicate that the Bank has been catering to the needs of 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 share of the loans of the Bank, loans to small and marginal farmers of agriculture and dairy farmers for milch animals also account for a sizable portion of the total credit.

### 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 is currently operating in B@ncs 24x7, CBS software provided by C-Edge Technologies Ltd. under ASP model, a technology solution which is used by over 150 mid-size Banks across India. The Bank also offers alternate delivery channel products such as ATM, Mobile Banking, IMPS, NEFT, RTGS and POS terminals and UPI facility.

More details can be found on the website of the Bank [www.kbsbankindia.com](http://www.kbsbankindia.com)



## DIRECTORS'REPORT : 2020-21

The Directors of your Bank are pleased to present the 22nd 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, 2021.

### Financial Highlights:

The financial highlights for the year under review are presented below:

(Rs. in Lakh)

Particulars	Mar-21	Mar-20
Deposits	32,129	24,757
Advances	24,615	19,972
Total Business	56,744	44,729
Capital & Reserves	4,840	4,172
Interest Earned	4,445	3,730
Other Income	1,076	904
Total Income	5,521	4,634
Interest Expended	1,969	1,680
Operating Expenses	2,196	2,218
Provisions & Contingencies	289	153
Total Expenditure	4,454	4,051
Operating Profit	1,356	736
Profit Before Tax	1,068	584
Provision for Income Tax	353	317
<b>Net Profit</b>	<b>715</b>	<b>267</b>

### Performance of the Bank:

The year 2020-21 in retrospect was an extraordinary year in terms of overall performance. The Bank achieved a growth in Business and reduction in NPA below the previous year figure. Throughout the year, the bank continued its focus on NPA reduction and growth in Business. The performance highlights are briefly described below:

#### The highlights of the bank's performance during 2020-21:

##### Total Business:

The total business of the Bank increased by Rs 120.15 Crore (i.e. 26.86%) from Rs 447.29 Crore as on March 31, 2020 to Rs 567.44 Crore as on March 31, 2021. This growth of 26.86% compares favorably and is a significant improvement over the previous year 2019-20. While deposits have recorded a growth of Rs 73.72 cr (29.78%) advances recorded a growth of Rs. 46.43 Cr (23.25%) during the year.

The total number of customers (outreach) stood at 244,926 as on March 31, 2021 compared to 2,41,434 as on March 31, 2020.

##### Deposits:

Deposits of the bank increased by Rs 73.72 Crore (i.e. 29.78% growth) from Rs 247.57 Crore as on March 31, 2020 to Rs. 321.29 Crore as on March 31, 2021. The growth of 29.78% is well above ASCB growth of 9.50%. The average size of deposit is Rs 13,128/- as on March 31, 2021 with 2,44,725 deposit accounts compared to Rs. 10,630/- with 2,41,434 deposit accounts as on March 31, 2020. The growth in Deposits surpassed the deposit target by 12.85% (Rs. 36.58 Crores).

##### Advances:

The total advances of the Bank increased by Rs. 46.43 Crore (23.25%) from Rs 199.72 Crore as at March 31, 2020 to Rs. 246.15 Crore as at March 31, 2021. The growth of 23.25 % is well above ASCB growth of 6.40 %, which is more than three times. The average loan size of disbursed portfolio in the MF segment stood at Rs. 50,124/- as on March 31, 2021 compared to Rs. 50,716/- as on March 31, 2020. The Average loan size stood at Rs 47,426/- as on March 31, 2021 compared to Rs 42,326/- as on March 31, 2020.

The cumulative loan disbursement of the Bank for the financial year 2020-21 amounted to Rs 201.95 Crore with 33,374 loan accounts against Rs. 196.50 Crore with 33,452 loan accounts during previous year 2019-20. The bank exceeded the advances target of Rs. 16.47 Crores by 7.17%.



### Capital Structure:

The Authorized capital of the bank stood at Rs. 25 crore comprising of 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 of 1,34,22,262 Equity shares of Rs. 10.00 each as on March 31, 2021. There is no change in the Capital structure during the year.

### Reserves:

During the year, an amount of Rs. 1.43 Crore has been transferred to statutory reserves. No incremental reserves have been created in Investment Fluctuation Reserve account since it is already well above the regulatory requirement of 5%. The Bank has Rs. 304 lakh in the Share Premium Account and Rs. 3,194 lakh as General and other reserves and surplus as on March 31, 2021. The net worth of the Bank is Rs 48.40 Crore as on March 31, 2021 compared to Rs 41.72 Crore as on March 31, 2020.

The Capital Adequacy Ratio, i.e. Capital to Risk Weighted Assets Ratio stood at 20.84% as on March 31, 2021 as compared to 21.87% as on March 31, 2020.

### Profitability:

The Profit after Tax (PAT) of the Bank is Rs.7.15 Crore compared to Rs 2.67 Crore for the year 2019-20. Although the gross income increased by 19.14%, the expenses increased by 6.86%. Consequently, Return on Equity (ROE) improved to 15.87% as on March 31, 2021 from 6.59% as on March 31, 2020 and the Return on Assets (ROA) improved to 2.06% from a level of 0.91% a year earlier.

### Credit Deposit Ratio:

The Credit Deposit ratio for the financial year ended March 31, 2021 stood at 76.61%. The corresponding ratio as on March 31, 2020 was 80.67%. During the year Bank has tried to maintain optimum CD Ratio during the year by taking timely measures viz. focused deposit mobilization drives, managing the interest rates and credit growth.

### Provision Coverage Ratio:

The Bank maintained a sound PCR throughout the year. A high Provision coverage ratio indicates the capacity of the Bank to stand against unforeseeable future losses. Your bank maintained PCR of 86.82% as on March 31, 2021 against PCR of 70.47 % as on March 31, 2020.

### Cost of Deposit

The Cost of Deposit of the Bank stood at 7.24% as on March 2021 compared to 7.36% in March 2020 with a reduction of 12 basis points.

### Cost to Income Ratio

The Cost to Income ratio of the Bank substantially came down to 61.82% as on March 31, 2021 from 75.07% as on March 31, 2020. The Cost to Income Ratio was 82.42% as on March 31, 2019. This depicts a receding trend in the ratio over years.

### Non- performing Assets

The Bank's Gross NPA stood at 2.15% as on March 2021 compared to 2.82% in March 2020 with a net reduction of Rs. 0.35 Cr during the year. The Net NPA ratio is at 0.29% as on March 31, 2021.

### Priority Sector Advances:

The Priority Sector Advances stood at Rs. 109.55 Crore against the total advances of Rs 246.15 Crore as on March 31, 2021. Since inception, the Banks PSL portfolio has always been at higher which was attributable to Microfinance lending model of the Bank. During the year 2020-21 Bank generated an income of Rs. 96.38 Lakh by sale of PSL advances which was in excess of the RBI prescribed limit of 40%. After sale the PSL portfolio of the Bank stood at 44.51% of total advances as on March 31, 2021.

### Investment Portfolio:

The Bank's Investment portfolio stood at Rs.60.09 Crores as on March 31, 2021 against Rs.47.51 Crores as on March 31, 2020 with an increase of Rs.12.58 Crore. The investment portfolio consists of investment in Government Securities only. Bank has been maintaining part of the surplus funds in SLR investments. As against an SLR requirement of 18% w.e.f. April 11, 2020, Bank maintained SLR of 18.72% as on March 31, 2021. The Investment portfolio of the Bank consisted of Rs 55.48 crore in Held to Maturity category, Rs.4.61 Crore in Available for sale category as on March 31, 2021. Bank has no securities/investments in Held for Trading Category. During the year, the Bank had purchased securities worth Rs.33 Crore (face value) under Held to Maturity category. The Bank earned a profit of Rs.95.68 lacs on sale of the GOI securities in AFS category worth Rs.21.40 Crore during the year 2020-21. The Bank invests the surplus funds in Fixed Deposit with other Banks and in Mutual Funds (Debt funds). The Bank earned Rs.183.91 lakh by interest income from placing Fixed Deposit with other Banks and made a profit of Rs.10.88 lakh by transacting on Mutual Funds.

The total treasury income (Securities, Fixed Deposit and Mutual Fund) of the Bank for the year 2020-21 is Rs.6.59 Crore compared to Rs.5.55 Crores in the previous year 2019-20.



#### Dividend:

The Bank has not proposed / declared any dividend for the financial year 2020-21.

Performance Highlights and Key Indicators at a glance:

(Rs. in Lakh)

Particulars	Mar-21	Mar-20
Deposits	32,129	24,757
Advances	24,615	19,972
Capital & Reserve	4,840	4,172
CRAR	20.84	21.87
Saving Deposits to Total Deposits %	16.38%	18.83%
Priority sector Advances to Adjusted Net Bank Credit	44.51%	73.38%
Gross NPA to Total Advances	2.15%	2.82%
Net NPA to Total Advances	0.29%	0.85%
Cost of Deposits	7.24%	7.36%
Yield on advances	17.75%	17.54%
Spread	8.28%	7.97%
CD ratio	76.61%	80.67%
Return of Asset	2.06%	0.91%
Return on Equity	15.87%	6.59%
No of Employees	341	350
Average age of Employee	37	37
Business per employee	166.40	127.80
Net Interest Margin	7.15%	6.97%

#### Expansion in the Area of operation and Branch Network

During the year 2020-21 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 26 ATMs of which 3 are offsite ATMs and 23 are onsite ATMs.

#### Way forward:

FY 2020-2021 was an extraordinary year in terms of the performance and results. Though the first quarter of 2020-21 was completely under Lock down, after unlockdown and relaxation slowly since the second quarter onwards and by end of the year , cases had come down. But unfortunately the second wave arrived in April 2021 and stills the same situation of panic and anxiety continues.

Despite all odds, the banking operations were continued during whole year. The Business started picking up from August 2020. Bank had introduced a new product "Samruddhi Credit Plus"(SCP, a product specifically customized for the customers need, to provide with additional working capital to the existing customers as well as the new customers for business continuity for

the post lockdown period. The Product was well accepted by the customers. Bank could built a significant SCP Portfolio.

In the FY 2020-21 the Bank recorded a Business growth of 26.86%. The growth in Profit after tax is 168%. The Bank could contain and controlled the NPAs, and the Gross NPA stood at 2.15%. Bank could maintain a provision coverage ratio of 86.82%.

Bank has introduced Mobile Banking, IMPS, UPI facility, NEFT and RTGS facility as alternative business channel. During the year there has been significant increase in transaction numbers and value in alternative business channels. The ATM income was hit for about a quarter due to the waiver of ATM charges by RBI on account of the pandemic, nevertheless the Bank could generate a significant income from ATM though it was lesser than the previous year's income. This was made possible due to the efficient management of cash replenishment of the ATMs even during the lockdown period.

The current financial year has begun with unexpected second wave of COVID-19 infections. Although the containment strategy this time included avoiding complete lockdown and managing the situation through micro-containment zones, the impact on the economy had been



felt. The aggregate demand continues to be low and household income has been impaired. An effective roll out of immunization is sure to turn the tide in the positive direction.

With new variants of COVID 19 virus the situation seems completely volatile. Though economic packages, relaxation granted to various sectors, a reasonable economic growth seems to be uncertain.

The Bank has introduced a new product “COVID Emergency Top up” in 2021. Hopefully it will be well accepted by the customers. The lockdown in operating areas in Karnataka has not been fully lifted till July 2021. NPAs are growing, despite sincere effort for recovery. However, it is too early to take a call of a possible deterioration of asset quality in banks due to second wave effect. Opportunities for lending in promising sectors will be explored to diversify the portfolio and contain risk. Overall, despite the economic headwinds, the Bank have adjusted to the challenges posed by the COVID-19 pandemic and is better positioned to tackle any subsequent wave.

Against this backdrop, growth in India contracted to - 7.3% in 2021. With the country experienced a second wave of infection since February, there have been localized lockdowns again which had impaired the economic activity. Vaccinating a large population soon is the only way to combat the situation and further waves if any. Hence, by all indications as are visible at present, Bank may not be able to repeat its 2020-21 performance in the current financial year. However, Bank may reassess the situation during the third quarter of the financial year, by which time, it is expected that a clear picture may emerge.

#### **The Human Resource (HR):**

The Bank is about to enter its twenty two years of service. The Bank believes in sustainable growth of Business. Such growth can be achieved with development and enrichment of all stake holders of the Bank including the employees of the Bank. Being in service industry Human resource is the major source for the very existence and growth of the Bank. Keeping the future in mind the Bank continues to focus on capability building of employees. The Bank has made intensive efforts to ensure that employees’ capabilities are developed so that employees can handle challenges of future while staying abreast with the functional domain knowledge of Banking. The Bank remains focused on creating and enhancing the capabilities of its employees through training, mentoring, role enrichment and providing them with challenging roles and responsibilities for various positions. The Bank

undertakes several initiatives suited to the needs of the employees for career development and improved efficiency.

The Bank has a Management level committee to look in to the HR functions within the scope of its Terms of Reference. The Human Resource Development committee of the Board reviews the HR Policy and supervises the HR functions for issuing suitable instructions and necessary amendments as per the need of the time. The HRD Committee of the Board meets on half yearly basis and also as and when required. As on March 31, 2021 the Bank has 341 employees. About 48% of the workforce belongs to the age group of 31 years to 40 years.

Due to the pandemic the Bank could not conduct enough physical training programs like earlier years. However Bank had sponsored employees to participate in online training program organized by IIBF, Chennai, NPCI, Mumbai and ICSI.

During the year the Bank organized four in house training programs and sponsored staff to attend three programs organized by outside agencies.

Apart from a sound compensation policy in order to boost employee morale and loyalty, the Bank also provides various facilities to the employees with financial and non-financial benefits which among others include interest free Festival Advance, concessionary interest on Housing Loan, Vehicle loan, loan for personal computer, Mortgage Loan, Furniture loan and Personal Loan on liberalized conditions and Over Draft facility.

#### **Information & Communication Technology:**

The Bank is committed to its objective of improved customer service for valued customers while achieving operational excellence. Towards this the bank has embarked upon continuous upgradation of technology for better customer service during the years.

The Bank has 23 on-site and 3 off-site ATMs and plans to populate at all the branches with onsite ATMs. The Rupay Debit- cum- ATM cards issued by the bank are accepted at all the ATMs in the country. The Bank has purchased 5 new ATMs during the year. These ATMs were inbuilt with all latest specifications as advised by RBI and NPCI and they are EMV One ATM, at Vikarabad is also made EMV certified and the remaining 20 ATMs, EMV certification is under process. (EMV stands for Euro pay, MasterCard, Visa. It is the global standard for chip-based Debit and Credit Card transactions) compatibility.

As it is Bank’s continuing endeavor to use technology to further improve the customer's experience while transacting with the Bank, it joined NPCI for enabling customers to receive LPG and other subsidy amounts

under the DBTL scheme. The Bank is also live on Aadhar Payment Bridge System (ABPS) with NPCI enabling the Bank customers to receive Aadhar based benefits in their accounts. The bank is also providing ATM - cum -debit RuPay cards enabled for use in POS and e- commerce payment gateways. The bank is already providing RTGS/ NEFT facility at all branches. The new Core Banking Solution Software B@ncs 24 has been stabilized. The Bank is now running on the B@ncs24CBS software networked with all Branches, BC Locations, HHD devices and ATMs. Since September 2018 bank is providing Mobile Banking facility to our customers, with funds transfer facility. The Bank has rolled out IMPS and UPI to Bank customers, to enable funds transfer from / to customers' accounts.

An intranet site is developed to enable the members of the staff to access to all the reports daily and to know the performance / progress instantaneously.

A tool has been developed to generate notices to gold loan borrowers, so that the Branch staff may download the notices and dispatch to borrowers.

#### **Risk Management:**

The risk management objective of the Bank is to balance the trade-off between risk and return and ensure that the Bank operates within the Board approved risk appetite statement. Over the last few years, Bank has tried to enhance capabilities to strengthen operational risk management and re-invent itself as a bank driven by technology. With this objective Bank has made significant investments in technology and processes and further strengthened our risk management architecture.

The Bank has established adequate Risk Management framework, policies and procedures for managing the risk factors. The Risk Management Committee (RMC) of the Board oversees the implementation of Credit risk and Operational Risk policy prescriptions. On a day to day basis the functional heads are responsible for the credit and operational risk monitoring and mitigation. There has been a NIL/negligible market risk.

The Risk Management in the bank inter alia includes taking steps to mitigate all the risks and rewards of various banking products and services, manage and report to ensure that the Bank's operation remain within the parameters in all aspects, formulate processes to ensure compliance with various policies for different components of the bank's operation; Ensure the implementation of AML and KYC and report compliance; ensure compliance, and secure approval and issue of Internal Circulars which confirmed to both the Regulatory and Internal guidelines etc.

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 oversee the Liquidity risk and Investment Risk. Being all SLR investments of the Bank were made only in Government securities, 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 framework 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 withstand 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 a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and conduct of liquidity stress tests periodically.

The Bank has a structured and standardized credit approval process, including a well-established procedure of comprehensive credit appraisal and documentation. Every extension of credit facility or material change of a credit facility to any counterparty requires credit approval at the appropriate authority level. Internal risk rating remains the foundation of the credit assessment process, which provides standardization and objectivity to the process.

The Bank's compliance department is adequately staffed. The Bank has always maintained the statutory ratios above the stipulated limits. During the year the Bank is compliant to the RBI stipulation with regards to Capital Adequacy Norm, CRR & SLR, Statutory Liquidity, Priority Sector Lending, NPA norms, Provision Coverage Ratio, IRAC norms, etc without any deviations.

The Board level Credit Committee reviews and guides the bank on the Credit Administration process. The Executive Committee of the Board monitors and supervises the Credit operation viz. portfolio health, NPA management, internal controls in credit and Credit Risk management. The Risk department carries out the Risk Management function under guidance of the Senior Management.

#### **Corporate Social Responsibility (CSR)**

The provisions of Section 135 are applicable to the Bank for the FY 2021-22. The Bank shall carry out CSR activity during the year 2021-22 in accordance with Schedule VII of the Companies Act, 2013 and the Company's CSR Policy. 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](http://www.kbsbankindia.com). Owing to the prevailing pandemic situation Bank could not undertake any CSR activity during the year 2020-21. Therefore, bank has transferred Rs. 7, 95, 485/- i.e. liability towards CSR activity for the year 2019-20 to Prime minister's national relief fund in compliance to subsection (5) of section 135.

#### **Annual Inspection by Reserve Bank of India:**

During the year the Reserve Bank of India had conducted an "Examination of Specific Areas of Operation of the Bank with reference to its position as on March 31, 2020". The Examination report has been received and the Bank has submitted first compliance report. Bank has been ensuring compliance to the observations made by the Reserve Bank of India in the Examination Report.

#### **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 an established vigilance mechanism. The Vigilance mechanism of the bank has been vested under the direct supervision of the Audit Committee of the Board. The Vigilance cases are dealt within the purview of the Vigilance Policy of the bank and the Reserve Bank of India's guidelines. The Policy is reviewed and amended by the Board as per the necessity and from time to time. The vigilance cases identified and reported through the vigilance mechanism and in-turn reports to the Audit Committee of the Board and the Board for review. The Vigilance Policy of the bank also contains the whistle blower policy for protection of the whistle blower. The fraud cases identified are dealt in accordance to the extant guidelines of Reserve Bank of India. All Fraud/Vigilance cases and disciplinary proceeding are reported to the Board and the Audit Committee. The bank has introduced Disciplinary Proceeding which prescribes the procedure based on law of Principles of natural justice from investigation to till closure of any internal disciplinary proceedings. The Bank is, implementing the policy of transferring employees. The HR Policy also mandates for compulsory availment of leave by all staff.

#### **Internal Audit:**

The Bank's Internal Audit department functions and reports independently to the Audit committee of the Board and the Managing Director 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 on the RBI's guidelines on Risk Based Supervision (RBS) through Risk Based Internal Audit (RBIA) and Concurrent Audit System in Commercial Banks. The Audit Committee of the Board comprises of four non- executive directors including three Independent directors chaired by a director who is a qualified member of Institute of Chartered Accountants of India. Audit committee of the Board reviews and recommends to the Board for change in the Audit Policy and the processes as per the necessity. 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 sufficient to safeguard the assets and interest of the Bank and timely identification of the risks for initiating remedial measures.

#### **Customer Service:**

Customer service is a key area where the Bank is focused. Bank is committed to ensure customers 'satisfaction while conducting their banking transactions at the branches. The process of relocating the branches wherever considered necessary to provide ease of access to the customers and renovating the branch premises to make them more spacious with improved ambience and additional amenities is being given top priority. Efforts were also made to equip the Branch premises for providing necessary ambience such as Air conditioning, drinking water, toilet to the customers. Branches have also been provided with passbook printers.

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

The Bank has constituted Customer Service Committees at branch level and Standing Committee of Customer Service at Corporate Office level. These Committees meet periodically to monitor the implementation of customer service measures at branches and BC locations and address deficiencies on an ongoing basis. The Customer Service committee of the Board comprises of four Members out of which two are Non-executive Independent Directors. The Customer Service Committee of the Board oversees the functioning of the Bank's Standing Committee on Customer Service. The bank has complied with the parameters

prescribed by RBI in the area of customer service. The suggestions received from the customers are examined and, if found proper and appropriate, implemented in the bank.

The Bank has the door step service model, which is unique in the industry. The Customer Service Representatives and Micro Saving Agents of the Bank deliver the Banking services viz. deposit collection, loan installment collection against receipt at the door step of the customer. Apart from it Bank has 14 Business Correspondent locations catering Banking services at the remote villages in the operating area which are far distant from the Branches. The customers need not travel to the Branch for major transactions viz. cash with drawal, cash deposit, electronic fund transfer etc. and all transactions are being done at the BC location. The Customer complaints including ATM complaints are addressed within the stipulated time frame. The Bank has separate team for reconciliation of RTGS/NEFT/ATM and POS transactions and CTS clearance is being done on a daily basis.

The ATM network of the Bank is well maintained and Bank has earned a reputation of “always maintains cash at the KMS ATMs’ in the area of operation. The Bank is thankful to the Regional office of the Reserve Bank of India for providing adequate cash all through the year.

The Bank has Mobile Banking Services. Immediate Payment Service (IMPS) through mobile banking platform which had been widely accepted by the customers. The Bank has introduced UPI facility since 2020. Bank has tried to provide uninterrupted service to the customers despite the hardship caused by the pandemic situation. The Digital Banking has helped a lot to the customers in carrying out banking transactions without physical presence during the pandemic.

#### **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 operational 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 Customer Grievance Redressal officer and the contact details of the Grievance redressal officer is displayed at the Business places and the website of the Bank. The Bank takes action on the customer complaint/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 has been placed in Branches. The help line number and contact details of the base branch have been displayed at the ATMs for ATM related complaints.

#### **Government Schemes and Programme:**

The bank participates in eligible Government Schemes. The Bank now has a customer base of around 244,926 Customers, being serviced through a network of 29 branches and 14 BC locations over 1766 villages. The Bank enables the customers to receive in their account 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 2020-21 the Bank has issued/renewed 40,517 insurance policies under the Pradhan Mantri Suraksha Bima Yojana and 31,627 policies under the Pradhan Mantri Jeevan Jyoti Bima Yojana and has settled 50 insurance claims to the nominees of the deceased customers enrolled under the Pradhan Mantri Jeevan Jyoti Bima Yojana scheme.

#### **Insurance Services:**

The Bank has been facilitating customers to avail Life and General Insurance services. To offer these services, bank has tied up with AVIVA Life Insurance Company for life and Bajaj Allianz General Insurance Company for general insurance. The overall insurance process and procedures are guided by IRDA and bank is guided by respective insurance service partners.

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

Life Insurance: Bank is offering Credit Plus Suraksha product which ensures coverage of loan amount with additional fifty percentage coverage up to Rs.50,000/- and for an absolute loan amount for above Rs.50, 000/- and up to Rs.1, 00,000/-.



Bank also ensures coverage of life Insurance of over Rs 1,00,000/- upto Rs 5,00,000/- under Credit assure Scheme

**Livestock:** Livestock insurance is offered to cattle financed by bank. KBS bank finances for the milch animals, mainly buffaloes, cows and sheep and these animals are being insured for the life. Currently bank is offering livestock insurance through Bajaj Allianz.

**Micro Enterprise Shield (MES):** MES insurance is to insure the stock/building of the unit financed by bank. This insurance is being offered with a sum insured of maximum Rs 1 Crore.

### **Samruddhi Credit Plus Loan Product**

The Corona virus pandemic has thrown economy and life out of gear for all mankind and business establishments alike. As the COVID-19 outbreak has hit the world hard, business continuity has become a biggest challenge for every organization. The small traders/artisans who are the target group of Micro-lenders are the ones who face more challenges during such crisis. Though Reserve Bank of India's six-month moratorium provided some relief, the perils of non-repayment of loan may loom large when they resume business. Over the years, Micro-finance institutions have reinvented themselves every time a crisis hits them.

KBS Bank has always been in forefront to support financially its loyal and needy customers whenever they are in dire need of financial assistance. During the COVID-19 pandemic, Bank with a common goal, extended helping hand and protected our customers/borrowers and their livelihood by introducing a new loan product viz. "Samruddhi Credit Plus" (SCP) in order to ease out financial burden of the existing and future customers. This product is designed to meet and overcome the sudden and unforeseen expenditure on account of unprecedented and unpredicted COVID-19. Under the scheme, each borrower can avail an additional loan of a minimum Rs.15,000/- to maximum Rs.5,00,000/- as per existing Bank's card rate.

### **Business Correspondents (BC) operation:**

The 14 BC locations are attached to 10 branches and proficiently handled by the 14 Transaction Assistants (TA's) under the supervision and control of Bank staff BDX or an AM of Bank staff. These BC locations offering services like Account opening, remittances, loan disbursements, other day-to-day transactions for the bank customers, credit and advances sourcing /processing is being taken care of by the Bank staff through CSR and BDX who are Bank staff. These BC's are networked with the V-SATs/SIM based routers with the parent Branch(es) servers and branches, which in turn, are connected to

Data Centre (DC) either through lease line or Airtel RF/V SAT's as primary connectivity and 4G MPLS as a secondary line of connectivity.

The national BC also operates through 25 Grahak Mitra's attached to 15 branches and its surroundings to cater banking services. Grahak Mitras will be moving place to place in and around town and villages and mobilize deposits i.e. Savings A/c's, Daily/weekly deposit, Recurring deposits and Term deposits. Very few Grahak Mithras are doing credit proposal sourcing of loans above Rs. 1 lakh. From December 2018 Bank has appointed Gram Tarang Inclusive Development Services Private Limited (GTIDS) as a Business Correspondent of the Bank.

The Deposits sourced by BCs stood at Rs. 57. 52 Cr at the end of 31st March 2021 vs Rs.48.87 Cr in Mar-20. (A net increase of Rs 8.65 crore as (31-03-2021)). The share of GTIDS deposit constitutes around 18% of the total deposits of the Bank as against 20.29% as of March 2020.

### **Auditors and Auditors Report:**

M/s. Sagar & Associates, Chartered Accountants, Hyderabad, the Statutory Auditors of the bank for the financial year 2020-21, have audited the accounts of the bank for the year and have submitted the Statutory Audit Report.

As per the RBI Circular on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021, 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. Sagar & Associates, Chartered Accountants have completed their third year of tenure as Statutory Auditor of the Bank. Hence as per the extant guidelines Bank needs to appoint a new audit firm as Statutory Auditors of the Bank.

Your Directors have recommended for appointment of M/s ASK & Co., Hyderabad as Statutory auditors of the Bank for a period of three year starting from the financial year 2021-22, 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 the annual general meeting to be held for the year 2021.

### **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, 2021 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. The related party transactions were placed and approved by the audit committee and the Board.

### 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 2020-21 the Board comprised of six well experienced personalities from the fields of banking, finance, SME, agri-business and rural development, technology, education and research. As on March 31, 2021 the Board comprised of five Non executive professional Directors and the Managing Director. Mr. V Jaganmohan, Non-executive Independent director resigned w.e.f. June 4, 2020. Pursuant to section 10A of the Banking Regulation Act, 1949 Mr. Ravi Shankar Kolathur and Ms. Mahpara Ali Non-executive Independent directors of the Bank retired on June 30, 2020 and May 10, 2021 respectively on completion of tenure of 8 years since joining the Bank. Ms. Geetha Mikkilineni and Ms. B Vijayalakshmi have been appointed as Independent directors of the Bank w.e.f. May 01, 2021, subject to approval of the shareholders in the Annual General Meeting. After such appointment the Bank has three Non-executive Independent Directors.

A brief profile of the directors (for the financial year 2020-21) is given below:

1. **Ms. Mahpara Ali.** Ms. Mahpara Ali holds Master's Degree in Arts. She also holds Diploma in International Banking and Finance from Indian Institute of Banking and Finance. She is an independent director under section 149 of the Companies Act, 2013. She has served in State Bank of India (SBI) for 39 years. She Joined as Probationary Officer and held many key assignments covering all areas of banking. Before retirement she held the position of Chief General Manager of Strategic Training Unit (STU) of SBI. She retired on May 10, 2021 on completion of tenure of 8 years since joining the Bank.
2. **Mr. V. Jagan Mohan.** Mr. V. Jagan Mohan holds a Master's Degree in Business Administration from Osmania University. He is an independent director under section 149 of the Companies Act, 2013. 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. Mr. V Jaganmohan joined the Bank on November 24, 2012 and resigned on June 04, 2020.
3. **Mr. Ravi Shankar Kolathur.** Mr. Kolathur is a member of the Institute of Chartered Accountants of India and also a member of Institute of Cost and Management Accountants. He was awarded with gold medal in Bachelor's degree from Osmania University in the year 1976. He is an independent director under section 149 of the Companies Act, 2013. He has work experience of 30 years in senior and top management in different positions in the field of: Manufacturing, Accounting Practice, Financial Advisory, Merchant Banking, Stock-Broking, Real Estate, Infrastructure, Higher Education, Financial Accounting, Cost / Management Accounting, Auditing, Fund raising, IPO / Placements, Treasury, ERP Implementation, Corporate Law, Financial Modeling, Investor Services, Recruitment, Compensation & Benefits, Business Strategy, Performance Management etc. Mr. Ravi Shankar Kolathur was the Chairman of the Audit Committee during his tenure. He retired on June 30, 2020 on completion of tenure of 8 years since joining the Bank.
4. **Mr. Donepudi Durga Prasad.** Managing Director of the Bank is a professional Banker with more than four decades of experience in banking with Andhra Bank and served in different positions. Before superannuation he served as General Manager – Priority Sector Department, Andhra Bank. He also served as Convenor of State Level Bankers' Committee of Andhra Pradesh.
5. **Mr. Tatineni Eswara Chandra Rao.** A professional Banker with more than 40 years' experience. Joined in Bank of Maharashtra, a Nationalized Bank in the year 1975 as Probationary Officer and handled various assignments in different capacities for 37 years before retiring in the year 2012 as Deputy General Manager. He also served as Managing Director of Coastal Local Area Bank Ltd, Vijayawada, during October 2013 to January 2019. He had joined the Board in February 2020.



6. **Mr. V Narsi Reddy:** 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 54 months on deputation from SBI as General Manager. Mr. V Narsi Reddy joined the Board in February, 2020. He is appointed as Independent Director w.e.f. September 23, 2020.

7. **Ms. Boyapati Vijayalakshmi:** Ms. Boyapati Vijayalakshmi is a B. Com, CAIIB - I. She is a professional Banker with more than 38 years of experience in Banking. She retired as General Manager in Andhra Bank in June 2019 after 38 years of service. During her service 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.

She Joined the Bank in July 2020. She is appointed as Independent director of the Bank w.e.f. May 01, 2021, subject to approval of the shareholders in the Annual General Meeting.

8. **Ms. Mikkilineni Geetha** 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 year. The above Firm of Chartered Accountants is in practice for more than 27 years having offices at Hyderabad, Visakhapatnam and Chennai. She Joined the Bank in July 2020.

She is appointed as Independent director of the Bank w.e.f. May 01, 2021, subject to approval of the shareholders in the Annual General Meeting.

The Board met six (6) times during the Financial Year 2020-21 on June 03, 2020, July 30, 2020, September 23, 2020, November 23, 2020, January 22, 2021 and on March 24, 2021.

#### Attendance of directors in the board meetings :

Sl No.	Name	Number of meetings entitled to attend during FY 2020-2021	Number of Meetings attended during FY 2020-2021
1	Ms. Mahpara Ali	Six	Six
2	Ms. V Jaganmohan	One	One
3	Mr. Ravi Shankar Kolathur	Two	Two
4	Mr. V Narsi Reddy	Six	Six
5	Mr. T Eswara Chandra Rao	Six	Six
6	Ms. B Viajaylakshmi	Four	Four
7	Ms. Geetha Mikkilineni	Four	Four
8	Mr. Durga Prasad Donepudi	Six	Six

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 guidelines 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.

### Change in Board of Directors:

During the year Mr. V Jaganmohan, Independent Director resigned from the Board w.e.f. June 04, 2020. Mr. Ravi Shankar Kolathur and Ms. Mahpara Ali Non-executive Independent directors of the Bank retired on June 30, 2020 and May 10, 2021 respectively on completion of tenure of 8 years since joining the Bank. Mr. V Narsi Reddy and Mr. T Eswara Chandra Rao who were appointed as Additional Directors, Non executive professional category w.e.f. February 25, 2020 were appointed as Non-Executive Independent Director and Non-Executive Professional Director respectively in the Annual General Meeting held on September 23, 2020. Ms. Geetha Mikkilineni and Ms. B Vijayalakshmi has been appointed as Independent directors of the Bank w.e.f. May 01, 2021, subject to approval of the shareholders in the Annual General Meeting.

At present the Board comprises of the Managing Director and three independent directors and one non-executive director in Professional category. As per the provisions of Companies Act, 2013 and terms of appointment, the tenure of Managing Director and Independent directors are fixed and not liable to retire by rotation.

### 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, 2021 and number of meetings of the committee held during FY 2020-21 are given below:

S. No	Name of the Committee	Composition of the Committee	Designation	Meetings held during the FY 2020-21
1	ALMI Committee	1. Ms. Mahpara Ali	Chairperson	Four meetings held on 03.06.2020 30.07.2020 23.11.2020 22.01.2021
		2. Mr. V. Narsi Reddy	Member	
		3. Geetha Mikkilineni	Member	
		4. Managing Director	Member	
		5. CFO – (Permanent Invitee)	(Permanent Invitee)	
2	Executive Committee	1.Ms. Mahpara Ali	Chairperson	Four meetings held on 03.06.2020 23.11.2020 22.01.2021 24.03.2021
		2.Mr. V. Narsi Reddy	Member	
		3. Mr. T Eswara Chandra Rao	Member	
		4. Mrs. B. Vijayalakshmi	Member	
		5 .Managing Director	Member	
3	Audit Committee	1.Ms Geetha Mikkilineni	Chairperson	Six meetings held on 03.06.2020 30.07.2020 23.09.2020 23.11.2020 22.01.2021 24.03.2021
		2. Mr. V. Narsi Reddy	Member	
		3.Ms. Mahpara Ali	Member	
		4. Mr. T Eswara Chandra Rao	Member	
		5. Mrs. B. Vijayalakshmi	Member	
4	Human Resource Development Committee	1. Ms. Mahpara Ali	Chairperson	Four meetings held on 03.06.2020 23.11.2020 22.01.2021 24.03.2021
		2. Mrs. B. Vijayalakshmi	Member	
		3. Mr. V. Narsi Reddy	Member	
		4. Ms Geetha Mikkilineni	Member	
		5. Managing Director	Member	
5	Customer Service Committee	1. Mr. T Eswara Chandra Rao	Chairperson	Two meetings held on 03.06.2020 23.11.2020
		2. Managing Director	Member	
		3. Mr. V. Narsi Reddy	Member	
		4. Ms. Mahpara Ali	Member	
		5. Ms. Geetha Mikkilineni	Member	



S. No	Name of the Committee	Composition of the Committee	Designation	Meetings held during the FY 2020-21
6	Risk Management Committee	1. Mr. V. Narsi Reddy	Chairperson	Two meetings held on 23.11.2020 24.03.2021
		2. Managing Director	Member	
		3. Mr. T Eswara Chandra Rao	Member	
		4. Ms. B. Vijayalakshmi	Member	
7	Information and Communication Technology Committee	1. Mr. V. Narsi Reddy	Chairperson Member	Five meetings held on 03.06.2020 30.07.2020 23.11.2020 22.01.2021 24.03.2021
		3. Mr. T Eswara Chandra Rao	Member	
		4. Ms. Geetha Mikkilineni	Member	
		5. COO (Permanent Invitee)	Member	
8	Share Allotment & Transfer Committee	1. Mr. T Eswara Chandra Rao	Chair	One meetings held on 23.11.2020
		2. Ms. Mahpara Ali	Member	
		3. Mr. V. Narsi Reddy	Member	
		4. Ms. Geetha Mikkilineni	Member	
9	Nomination and Remuneration Committee	1. Ms. B. Vijayalakshmi	Chair	Four meetings held on 03.06.2020 30.07.2020 23.09.2020 24.03.2021
		2. Ms. Mahpara Ali	Member	
		3. Managing Director	Member	
		4. Mr. V. Narsi Reddy	Member	
10	Credit Committee	1. Ms. Mahpara Ali	Chair	Four meetings held on 03.06.2020 23.11.2020 22.01.2021 24.03.2021
		2. Mr. T Eswara Chandra Rao	Member	
		3. Managing Director	Member	
		4. Mr. V. Narsi Reddy	Member	
		5. Mrs. B. Vijayalakshmi	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 explanation relating to material departure, 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 at March 31, 2021 and of the profit of the bank for the year ended March 31, 2021.
- 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 to 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 determine 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 with 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 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 to 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 Committee and reimbursement of eligible expenses.

#### **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 2020-21. The Independent Directors have furnished the Declarations in the format prescribed under section 149(6) for the FY 2020-21. 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 outgo in Foreign Exchange.

#### **Annual Return:**

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.

#### **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 the technology commensurate to its size and requirements for the legally permitted transactions. The Bank has been operating in fully computerized environment since inception. The Branches and Business correspondent locations operates on the Core Banking Solution. The field staff of the Bank uses Hand Held Devices for transactions at the field. The Bank has 26 ATMs of which three are off site ATMs. Bank has Mobile Banking facility enabled for IMPS/RTGS and NEFT transactions. The Bank continues its effort to create awareness among the employees for saving the power and resources, wherever possible.

#### **Acknowledgements:**

Your Directors place on the 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 solicits their continued support and cooperation. Your directors express their sincere thanks to M/s Sagar & Associates, Chartered Accountants, the statutory auditors of the bank and C Edge Technologies Ltd., 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 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

Sd/-  
Place : Hyderabad  
Date : July 28, 2021

Sd/-  
V. Narsi Reddy  
**Director**

Sd/-  
Donepudi Durga Prasad  
**Managing Director**

## INDEPENDENT AUDITOR'S REPORT

### To the Members

**M/s. KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED**

**Hyderabad**

### Report on audit of the Standalone Financial Statements

#### Opinion

1. We have audited the standalone financial statements of M/s. KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED ('the Bank'), which comprise the Balance Sheet as at 31st March 2021, 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 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 2021;
  - 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.

#### Key Audit Matters

5. 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><b>Income Recognition and Asset Classification</b></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 62.24% of the Bank's total assets. They are, inter-alia, governed by income recognition, asset classification and provisioning (IRAC) norms and other</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"> <li>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;</li> <li>Existence and effectiveness of monitoring mechanisms such as Internal Audit, Systems Audit, Credit Audit and</li> </ul>

#### 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.

#### Emphasis of Matter

4. As described in Note XV to the financial statements, in accordance with Reserve Bank of India COVID-19 Regulatory Package, ageing of accounts opting for moratorium offered by the Bank (based on days past due status as of 31 March 2021) has been determined with reference to position as of 29 February 2020. Further, the extent to which the COVID-19 Pandemic will impact the bank's financial performance is dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of the above matter.



<p>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>Concurrent Audit as per the policies and procedures of the Bank;</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• In carrying out substantive procedures at the all 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 valuer's provided by the Bank's management.</li> <li>• 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.</li> </ul>
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## Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

6. 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

7. 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 the 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 skepticism 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.

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

8. 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 read with Rule 7 of the Companies (Accounts) Rules, 2014
9. 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.
10. 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 branch auditors of the Bank have been sent to us and 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, read with Rule 7 of the Companies (Accounts) Rules, 2014, 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 2021 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 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 in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended;

The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under section 197 of the Companies Act, 2013 do not apply; and

- 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.

**for Sagar & Associates**  
Chartered Accountants  
**FR No: 003510S**

B. Srinivasa Rao  
**Partner**  
M.No. 202352

Date : April 30, 2021  
Place: Hyderabad



## “ANNEXURE A”

### “ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF M/S. 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 M/s. KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED ('the Bank') as at 31 March 2021 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.

**for Sagar & Associates**  
Chartered Accountants  
**FR No: 003510S**

B. Srinivasa Rao  
**Partner**  
M.No. 202352

Date : April 30, 2021  
Place: Hyderabad

## 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, 2021, 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.

<b>BALANCE SHEET AS ON</b>	<b>Sch</b>	<b>31-Mar-2021</b>	<b>31-Mar-2020</b>
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	134,222,620	134,222,620
Reserves and Surplus	2	349,806,386	282,930,855
Deposits	3	3,212,916,240	2,475,751,042
Borrowings	4	-	-
Other Liabilities and Provisions	5	258,087,288	216,348,988
<b>Total</b>		<b>3,955,032,534</b>	<b>3,109,253,505</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	93,167,826	65,529,340
Balances with Banks and Money at Call and Short Notice	7	688,731,209	470,242,037
Investments	8	600,941,312	485,409,795
Advances	9	2,461,478,093	1,997,152,847
Fixed Assets	10	23,257,947	31,107,177
Other Assets	11	87,456,147	59,812,309
<b>Total</b>		<b>3,955,032,534</b>	<b>3,109,253,505</b>
Contingent Liabilities	12	1,440,440	17,767,234
Bills for Collection		-	-
<b>Principal Accounting Policies</b>	<b>17</b>		
<b>Notes To Accounts</b>	<b>18</b>		

The schedules referred to above form an integral part of the Balance Sheet

In terms of our report of even date

**for Sagar & Associates**

Chartered Accountants

**Firm Regn. No. 003510S**

Sd/-  
B. Srinivasa Rao  
**Partner**  
**M.No. 202352**

**for and on behalf of Board of Directors**

Sd/-  
Mahpara Ali  
**Director**

Sd/-  
Donepudi Durga Prasad  
**Managing Director**

Sd/-  
Narsi Reddy Vangala  
**Director**

Sd/-  
J. Murali Krishna  
**General Manager & CFO**

Sd/-  
Geetha Mikkilineni  
**Director**

Sd/-  
P. A. Pattnaik  
**Company Secretary**

Place: Madhapur  
Date: April 30, 2021



Rs.

<b>PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED</b>	<b>Sch</b>	<b>31-Mar-2021</b>	<b>31-Mar-2020</b>
<b>I. INCOME</b>			
Interest Earned	<b>13</b>	444,538,675	373,028,180
Other Income	<b>14</b>	107,620,343	90,418,867
<b>Total</b>		<b>552,159,018</b>	<b>463,447,047</b>
<b>II. EXPENDITURE</b>			
Interest Expended	<b>15</b>	196,862,748	167,978,990
Operating Expenses	<b>16</b>	219,642,810	221,804,512
Provisions and Contingencies		64,160,300	47,007,481
<b>Total</b>		<b>480,665,858</b>	<b>436,790,983</b>
<b>III. PROFIT / LOSS</b>			
Net Profit/(Loss) for the Year		71,493,160	26,656,063
Add: Profit/(Loss) Brought Forward		181,368,302	160,780,252
<b>Total</b>		<b>252,861,462</b>	<b>187,436,315</b>
<b>IV. APPROPRIATIONS/TRANSFERS</b>			
Statutory Reserve		14,308,952	5,335,060
Capital Reserve		-	-
Investment Fluctuation Reserve		-	-
Interim and Proposed Dividend		-	-
Tax on Dividend		-	-
Staff Welfare Fund Reserve		750,000	1,000,000
Covid Contingency Fund for Employees		5,000,000	-
Balance Carried Over to Balance Sheet		232,802,510	181,101,255
<b>Total</b>		<b>252,861,462</b>	<b>187,436,315</b>
<b>Principal Accounting Policies</b>	<b>17</b>		
<b>Notes on Accounts</b>	<b>18</b>		

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report of even date

**for Sagar & Associates**

Chartered Accountants

**Firm Regn. No. 003510S**

**for and on behalf of Board of Directors**

Sd/-  
B. Srinivasa Rao  
**Partner**  
**M.No. 202352**

Sd/-  
Mahpara Ali  
**Director**

Sd/-  
Narsi Reddy Vangala  
**Director**

Sd/-  
Geetha Mikkilineni  
**Director**

Sd/-  
Donepudi Durga Prasad  
**Managing Director**

Sd/-  
J. Murali Krishna  
**General Manager & CFO**

Sd/-  
P. A. Pattnaik  
**Company Secretary**

Place: Madhapur  
Date: April 30, 2021

Audited Financial Statements as on March 31, 2021

## SCHEDULES TO BALANCE SHEET AS ON

31-Mar-2021

31-Mar-2020

## SCHEDULE 1 : CAPITAL

## Authorised Capital

250,000,000

250,000,000

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

## Issued Capital

Issued 13422262 Equity Shares of Rs. 10/- each

134,222,620

134,222,620

## Subscribed &amp; Paid-up capital

13422262 Equity Shares of Rs. 10/- each

134,222,620

134,222,620

## Total

134,222,620

134,222,620

## SCHEDULE 2:RESERVES AND SURPLUS

## I. Statutory Reserves

Opening Balance

58,537,982

53,202,921

Additions during the Year

14,308,952

5,335,060

Deductions during the Year

-

-

## Total

72,846,934

58,537,981

## II. Capital Reserves

Opening Balance

2,768,191

2,768,191

Additions during the year

-

-

Deductions during the year

-

-

## Total

2,768,191

2,768,191

## III. Share Premium

Opening Balance

30,429,380

30,429,380

Additions during the year

-

-

Deductions during the year

-

-

## Total

30,429,380

30,429,380

## IV. Investment Fluctuation Reserve

Opening Balance

9,375,000

9,375,000

Additions during the year

-

-

Deductions during the year

-

-

## Total

9,375,000

9,375,000

## V. Revenue and Other Reserves

Opening Balance

452,000

452,000

Addition During the Year

-

-

Deductions during the year

-

-

## Total

452,000

452,000

## VI. Balance in Profit and Loss Account

Opening Balance

181,368,302

160,780,252

Addition During the Year

57,184,208

21,321,002

Deductions during the year

5,750,000

1,000,000

Add: Deferred Tax

1,132,371

267,049

Less : Depreciation relating to earlier years

-

-

## Total

233,934,881

181,368,302

## Total (I to VI)

349,806,386

282,930,855

**SCHEDULES TO BALANCE SHEET AS ON****31-Mar-2021****31-Mar-2020****SCHEDULE 3 : DEPOSITS****A. I. Demand Deposits**

(i) From Banks	-	-
(ii) From Others	22,129,465	14,682,510
II. Savings Bank Deposits	526,311,491	466,105,206
III. Term Deposits		
(i) From Banks	-	-
(ii) From Others	2,664,475,284	1,994,963,326
<b>Total (I, II and III)</b>	<b>3,212,916,240</b>	<b>2,475,751,042</b>

**B. I. Deposits of branches in India****3,212,916,240****2,475,751,042****II. Deposits of branches out side India****Total****3,212,916,240****2,475,751,042****SCHEDULE 4: BORROWINGS**

I. Borrowings in India		
i Reserve Bank of India	-	-
ii Other Banks	-	-
iii Other Institutions and Agencies	-	-
II. Borrowings outside India	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Secured borrowings included in I &amp; II above)

**SCHEDULE 5: OTHER LIABILITIES AND PROVISIONS**

I. Bills Payable & Liabilities	-	-
II. Inter-Office adjustments (net)	-	-
III. Interest Accrued	-	-
IV. Others (including provisions)	258,087,288	216,348,987
V. Proposed dividend ( Inc Dividend Distribution tax)	-	-
<b>Total</b>	<b>258,087,288</b>	<b>216,348,987</b>

**SCHEDULE 6: CASH AND BALANCES WITH RESERVE BANK OF INDIA**

I. Cash in hand	63,738,294	45,737,308
(including foreign currency notes)		
II. Balances with Reserve Bank of India		
(i) in current Account	29,429,532	19,792,032
(ii) in other Accounts	-	-
<b>Total - (I &amp; II)</b>	<b>93,167,826</b>	<b>65,529,340</b>

**SCHEDULE 7: BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

I. In India		
i. Balance with banks		
a. in current accounts	151,851,344	132,621,708
b. in other deposit accounts	536,879,865	337,620,329
ii. Money at call and short notice		
a. with banks	-	-
b. with other institutions	-	-
<b>Total</b>	<b>688,731,209</b>	<b>470,242,037</b>



## SCHEDULES TO BALANCE SHEET AS ON

31-Mar-2021

31-Mar-2020

## II. Outside India

i. In current accounts

ii. In Other deposit accounts

iii. Money at call and short notice

**Total****Total - (I & II)**

-

-

-

**688,731,209****470,242,037**

## SCHEDULE 8: INVESTMENTS

I. Investments in India in

i. Government Securities

ii. Other approved securities

iii. Shares

iv. Debentures and Bonds

v. Subsidiaries and/or joint ventures

vi. Others

**Total**

Less: Depreciation

Net Investments

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)**

600,941,312

475,131,889

-

-

-

-

-

10,277,906

**600,941,312****485,409,795**

-

600,941,312

485,409,795

-

-

-

-

**600,941,312****485,409,795**

## SCHEDULE 9: ADVANCES

A i) Bills purchased and discounted

ii) Cash credits, overdrafts and loans repayable on demand

iii) Term Loans

**Total**

B i) Secured by Tangible Assets

ii) Covered by Bank/Government Guarantee

iii) Unsecured

**Total**

C I) Advances in India

i) Priority Sectors

ii) Public Sector

iii) Banks

iv) Others

**Total**

II) Advances outside India

i) Due from Banks

ii) Due from Others

**Total****Total (C. I & II)**

-

129,245,660

86,096,724

2,332,232,433

1,911,056,123

**2,461,478,093****1,997,152,847**

2,321,971,375

1,885,313,719

-

139,506,718

111,839,128

**2,461,478,093****1,997,152,847**

1,095,504,049

1,465,448,272

-

-

1,365,974,044

531,704,575

**2,461,478,093****1,997,152,847**

-

-

-

**2,461,478,093****1,997,152,847**

**SCHEDULES TO BALANCE SHEET AS ON****31-Mar-2021****31-Mar-2020****SCHEDULE 10:FIXED ASSETS**

I Premises	-	-
II Other Fixed assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	124,230,696	122,306,521
Additions during the year	4,930,275	6,622,670
Deductions during the year	1,345,715	4,698,496
Depreciation to date	104,557,309	93,123,518
<b>Total</b>	<b>23,257,947</b>	<b>31,107,177</b>

**SCHEDULE 11:OTHER ASSETS**

I. Inter-Office adjustments (net)	-	-
II. Interest accrued	26,230,508	17,546,216
III. Tax paid in advance / Tax deducted at source	44,040,330	28,539,589
IV. Stationery and stamps	1,184,778	1,456,970
V. Non-banking assets acquired in satisfaction of claims	-	-
VI. Deferred Tax Asset ( Net)	2,565,566	1,433,195
VII. Others	13,434,965	10,836,340
<b>Total</b>	<b>87,456,147</b>	<b>59,812,309</b>

**SCHEDULE 12:CONTINGENT LIABILITIES**

I. Claims against the bank not acknowledged as debts	-	16,546,349
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	1,440,440	1,220,885
<b>Total</b>	<b>1,440,440</b>	<b>17,767,234</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT AS ON****31-Mar-2021****31-Mar-2020****SCHEDULE 13: INTEREST EARNED**

I. Interest/discount on advances/bills	389,288,658	321,554,776
II. Income on Investments	36,859,079	32,352,945
III. Interest on balances with Reserve Bank of India and other inter-bank funds	18,390,938	19,120,459
IV. Others	-	-
<b>Total</b>	<b>444,538,675</b>	<b>373,028,180</b>

**SCHEDULE 14:OTHER INCOME**

I. Profit on sale of Asset / Investments	10,739,987	4,376,732
II. Miscellaneous Income	96,880,356	86,042,135
<b>Total</b>	<b>107,620,343</b>	<b>90,418,867</b>

**SCHEDULE 15:INTEREST EXPENDED**

I. Interest on Deposits	196,862,748	167,978,990
II. Interest on Reserve Bank of India/Inter-bank borrowings	-	-
II. Others	-	-
<b>Total</b>	<b>196,862,748</b>	<b>167,978,990</b>

SCHEDULES TO PROFIT AND LOSS ACCOUNT AS ON	31-Mar-2021	31-Mar-2020
--------------------------------------------	-------------	-------------

**SCHEDULE 16: OPERATING EXPENSES**

I. Payments to and provision for employees	116,711,726	114,732,189
II. Rent, taxes and lighting	19,989,183	19,114,643
III. Printing and Stationery	1,983,987	2,977,843
IV. Advertisement and publicity	169,403	248,778
V. Depreciation on bank's property	12,441,316	13,860,662
VI. Directors' fees, allowances and expenses	1,777,361	1,609,372
VII. Auditors' Fees and Expenses	901,735	933,432
VIII. Law Charges	42,000	-
IX. Postage, Telephones. Etc.	2,133,130	2,564,472
X. Repairs and maintenance	4,434,153	3,123,617
XI. Insurance	7,300,190	6,130,209
XII. Other expenditure	51,758,627	56,509,295
<b>Total</b>	<b>219,642,810</b>	<b>221,804,512</b>

**PROVISIONS AND CONTINGENCIES**

I. Provision for Non Performing Assets	21,984,977	10,414,260
II. Provision on Standard Assets	2,900,000	630,611
III. Provision for Current Tax	28,538,889	16,710,679
IV. Prov for Income Tax Prior Years	6,736,434	15,000,000
V. Provision for Deferred Tax	-	-
VI. Provision for Depreciation on Investments	-	839,231
VII. Other Provisions	-	-
VIII. General Provision	4,000,000	3,412,700
<b>Total</b>	<b>64,160,300</b>	<b>47,007,481</b>

The schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report of even date

**for Sagar & Associates**

Chartered Accountants

**Firm Regn. No. 003510S**

**for and on behalf of Board of Directors**

Sd/-  
B. Srinivasa Rao  
**Partner**  
**M.No. 202352**

Sd/-  
Mahpara Ali  
**Director**

Sd/-  
Narsi Reddy Vangala  
**Director**

Sd/-  
Geetha Mikkilineni  
**Director**

Sd/-  
Donepudi Durga Prasad  
**Managing Director**

Sd/-  
J. Murali Krishna  
**General Manager & CFO**

Sd/-  
P. A. Pattnaik  
**Company Secretary**

Place: Madhapur  
Date: April 30, 2021



## 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 of 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:

- a) Revenue Expenditure is accounted on accrual basis.

### 3) Investments:

3.1 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)

#### 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. Treasury bills under AFS category are valued at carrying cost. The net depreciation under each group of classification, if any, is fully provided for, while net appreciation is ignored. However there are no treasury bills as on the date of Balance sheet
- c) Securities held under HFT category are to be valued scrip wise at monthly intervals at market / estimated realizable value (worked out as per RBI guidelines) and aggregated classification wise. The net depreciation under each group of classification, if any, is fully provided for while net appreciation is ignored. However there are no securities under this category.
- d) 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.
- e) Investment fluctuation reserve: As per Reserve Bank of India guidelines, Investment Fluctuation Reserve (IFR) of a minimum 5% of the investment portfolio comprising of investments held in "Available for Sale" categories should be created. The total amount held in the IFR as on March 31st, 2021 is Rs. 93.75 Lakhs.

#### 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 also classified as Standard, Substandard, Doubtful and Loss Assets as per IRAC norms.
- c) All assets, which are not treated as standard assets are classified as Non-Performing Assets.
- d) 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.
- e) Provision on Standard Assets is made at 0.50% on advances to Agriculture and 0.25% on SME sectors, 1% on advances to commercial real estate, 0.40% on all other advances.

#### 5) Fixed Assets and Depreciation / Amortization :

- a) Fixed Assets are stated at Cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the assets.
- b) 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.
- c) Depreciation on tangible assets is provided on Straight Line Method (SLM) which reflects the management's estimate of the useful lives of the respective fixed assets. As per the Companies Act, 2013, the bank has reviewed and fixed the useful life of its fixed assets. Such useful Life of the fixed assets are given here under :

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

- e) Fixed Assets costing up to Rs. 5,000/- are depreciated fully in the year of purchase and put to use.

#### 6) Impairment of Fixed Assets:

- a) 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.
- b) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- c) 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 :

- a) Provisioning in respect of Non-performing assets is made as per guidelines applicable to banks, issued by Reserve Bank of India.
- b) 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 Extra Ordinary items having material impact on the financial affairs are disclosed separately.

#### 10) Staff Benefits:

- a) **Provident Fund:** Contribution is accounted on actual liability basis and paid to Employee's Provident Fund Organization.
- b) **Gratuity:** Gratuity is being computed as per statutory norms on actuarial valuation basis and paid into 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.

#### 13) Net Profit :

- a) 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 and NPAs
  - Provision for disputed tax on the Interest on NPA
  - Other usual and necessary provisions

#### 14) Earnings per Share :

Basic and Diluted earnings per equity share 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 / (Loss) 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 / (Loss) 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

### 1. Capital

S.No	Particulars	31-Mar-2021	31-Mar-2020
i)	Common Equity Tier 1 capital ratio (%)	20.42	21.50
ii)	Tier 1 capital ratio (%)	20.42	21.50
iii)	Tier 2 capital ratio (%)	0.42	0.37
iv)	Total capital Ratio (CRAR) (%)	20.84	21.87
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: PDI:	-	-
viii)	Amount of Tier 2 capital raised of which Debt capital instrument: Preference share capital instruments: Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-cumulative Preference shares (RNCPS) / Redeemable Cumulative Preference shares (RCPS)	-	-

### 2) a. Investments

(Rs. in Lakhs)

Particulars	31-Mar-2021	31-Mar-2020
<b>1. Value of Investments</b>		
a) Gross Value of Investments		
i) In India	6009.41	4751.32
ii) Outside India	-	-
b) Provision for Depreciation		
i) In India	-	-
ii) Outside India	-	-
c) Net Value of Investments		
i) In India	6009.41	4751.32
ii) Outside India	-	-
<b>2. Movement of provisions held towards Depreciation on investments</b>		
i) Opening Balance	-	14.91
ii) Add: Provision made during the year	-	8.39
iii) Less: provisions reversed during the year	-	23.30
iv) Closing Balance	-	-



b. **Repo Transactions** : Bank does not deal in any repo transaction.

c. **Non SLR Investment Portfolio:**

The Bank has no outstanding balances under Non SLR category as on March 31, 2021.

d. **Sale and transfers to/ from HTM category**

During the Financial year, the Bank has shifted securities having aggregate book value of Rs.1998.59 Lakhs (FV 2000 lacs) from HTM category to AFS category with due approval from the Board, as allowed by RBI. These securities after shifting to AFS category were sold during the FY -2020-21.

S.No	Date of purchase	Name of Security	Units	Purchase Price	Face Value in lakh	Purchase Value in lakh	Date of Maturity	Net Book Value as on 31-3-2020	Market rate as on 22-4-2020	Market Value
1	06-Apr-17	6.97% GOI 2026	10,00,000	102.53	1000.00	1025.30	06-Sep-26	1017.28	105.25	1052.50
2	05-Oct-17	6.79% GOI 2027	5,00,000	100.66	500.00	503.30	15-May-27	479.64	103.18	515.90
3	06-Oct-17	6.79% GOI 2027	5,00,000	100.45	500.00	502.25	15-May-27	501.67	103.18	515.90
<b>Total</b>					<b>2000.00</b>	<b>2030.85</b>		<b>1998.59</b>		<b>2084.30</b>

Book Value of the above securities held in HTM category was Rs.1998.59 lacs and is more than 5% of the Book Value of total investments. These securities have been shifted to AFS category after obtaining due approval from the Board. Since the Market Value of these securities is Rs.2084.30 lacs, which is more than the Book Value, no provision has been made.

iii. **DERIVATIVES:**

The Bank does not deal in any derivatives products.

iv. **ASSET QUALITY**

i) **Non-Performing Asset**

	Item	31-Mar-2021	31-Mar-2020
(i)	Net NPAs to Net Advances (%)	0.29	0.85
(ii)	Movement of NPAs (Gross)		
	(a) Opening Balance	563.18	740.75
	(b) Additions during the year	216.21	133.06
	(c) Reduction during the year	251.24	310.63
	(d) Closing Balance	528.15	563.18
(iii)	Movement of Net NPAs		
	(a) Opening Balance	166.32	332.79
	(b) Additions during the year	-55.29	-51.18
	(c) Reduction during the year	41.39	115.29
	(d) Closing Balance	69.63	166.32
(iv)	Movement of Provision For NPAs		
	(excluding provisions on standard assets)		
	(a) Opening Balance	396.86	407.96
	(b) Provision made during the year	271.51	184.24
	(c) Write-off/Write -Back of excess provisions	209.85	195.34
	(d) Closing Balance	458.52	396.86

ii) **Loan Assets subjected to Restructuring / Rescheduled**

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

iii) **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.

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

v) **Provisions on Standard Advances:**

Particulars	31-Mar-2021	31-Mar-2020
Provisions towards Standard Advances	99.84	70.84

5) **Business Ratios :**

Particulars	31-Mar-2021	31-Mar-2020
Interest income as a percentage to Working Funds	13.94	13.99
Non-Interest income as a percentage to Working Funds	3.38	3.39
Operating Profit as a percentage to Working Funds	4.25	2.76
Return on Assets (%)	2.06	0.91
Business (Deposits plus advances) per employee (Rs. in lakh)	166.40	127.80
Net Profit per Employee (Rs. in lakh)	2.10	0.76

6) **Asset Liability Management:**

Maturity pattern of certain items of assets and liabilities

(Rs. in Lakhs)

Period	Deposits	Loans & Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1Day	226.28	961.62	-	-	-	-
2 to 7 Days	468.97	783.62	-	-	-	-
8 to 14 days	636.34	246.68	-	-	-	-
15 to 28 days	525.35	86.32	-	-	-	-
29 days to 3 months	1838.35	5790.43	30.08	-	-	-
Over 3 months & up to 6 months	2694.30	2661.79	-	-	-	-
Over 6 months & up to 1 year	5507.61	4596.69	-	-	-	-
Over 1 year & up to 3 years	17286.37	8524.58	587.64	-	-	-
Over 3 years & up to 5 years	1567.03	324.90	849.33	-	-	-
Over 5 years	1378.56	638.15	4542.36	-	-	-
Total	32129.16	24614.78	6009.40	-	-	-

7) **Exposures :**

i) **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)

S.No	Category	31-Mar-2021	31-Mar-2020
a)	Direct exposure		
i.	Residential Mortgages	425.29	429.65
	- Included under Priority Sector	187.70	99.30
	- Non Priority Sector		
ii.	Commercial Real Estate	240.59	274.81
iii.	Investments in Mortgage Backed Securities (MBS) and other securitized exposures :		
	a. Residential	-	-
	b. Commercial Real Estate.	-	-
	c. Indirect Exposure	-	-
	<b>Total Exposure to Real Estate Sector</b>	<b>853.58</b>	<b>803.76</b>

**ii) Exposure to Capital Market**

The Bank has not made any investment in capital market.

**iii) Risk category wise Country Exposure**

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

**iv) 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.

**v) 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-2021	31-Mar-2020
Crop Loans	-	1.57
Agri Investment Loan	0.50	3.53
NFS – Micro Enterprises Loan	0.15	0.38
General Purpose Loans	888.91	1044.17
Personal loan to staff	3.38	50.84
Salaried class term loan	-	0.37
Festival advance loan to Staff	19.03	17.53
Staff Clean over Draft	483.10	-
Total	1395.07	1118.39

**8) i) Amount of Provision made for Income Tax during the year:**

(Rs. in Lakhs)

Particulars	31-Mar-2021	31-Mar-2020
Provision for Income Tax – Current	285.39	167.11
Provision for Tax – Earlier years	67.36	150.00

**ii) Penalties imposed by RBI: NIL**

9) Additional Disclosures:

Provisions & contingencies:

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

(Rs. in Lakhs)

Particulars	31-Mar-2021	31-Mar-2020
Provision for depreciation on investments	-	8.39
Provision for Non-Performing Assets	219.85	104.14
Provision for Bad debts	-	-
Provision towards standard assets	29.00	6.31
Provision for taxation (including Deferred Tax )	285.39	167.11
Provision for Tax – Earlier years	67.36	150.00
General Provision on SMA accounts as per RBI directives	40.00	34.12
<b>Total</b>	<b>641.60</b>	<b>470.07</b>

b) The Bank was not having any floating provisions at the end of the financial year 2020-21 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	ATM	Others
Number of complaints pending at the beginning of the year	NIL	NIL
Number of complaints received during the year	71	NIL
Number of complaints redressed during the year	71	NIL
Number of complaints pending at the end of the year	NIL	NIL

b. No awards were passed by the Banking Ombudsman against the Bank during the current year. 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 86.82% as at the end of March 2021 Vs 70.47% at the end of March 2020.

f) The Bank has not undertaken any bancassurance business.

g) Claims against the bank not acknowledged as debts :

Income Tax Proceedings:

The amounts are shown under contingent liability as on 31-03-2021 are as under :

(Rs. in Lakhs)

Assessment Year	Particulars	Contingent Liability			Contingent Liability	
		31-03-2021			31-03-2020	
		Disputed tax demand	Provision held	Balance shown as Contingent liability as on 31.03.2021	Provision Held as on 31.03.2020	Balance shown as Contingent liability as on 31.03.2020
1	2	3	4	(5)=(3-4)	6	7
2009-10	Income Tax Demand for Rs.13,94,370/- with the contention that Bank has not deducted TDS on certain entities who are otherwise liable to pay tax and also for non-filing of Form 15 G / Form 15 H	-	-	-	7.54	-
2009-10	Interest on above demand	-	-	-	1.60	4.80
2009-10	Penalty on above TDS	-	-	-	2.91	8.73
	<b>Total ( A )</b>	-	-	-	<b>12.05</b>	<b>13.53</b>



Assessment Year	Particulars	Contingent Liability			Contingent Liability	
		31-03-2021			31-03-2020	
		Disputed tax demand	Provision held	Balance shown as Contingent liability as on 31.03.2021	Provision Held as on 31.03.2020	Balance shown as Contingent liability as on 31.03.2020
1	2	3	4	(5)=(3-4)	6	7
2013-14	Income Tax Demand on account of share application amount of Rs.2.25 crore and De recognized Interest amount of Rs.26,67,521/- on NPA amount	-	-	-	70.74	-
2013-14	Interest on above demand	-	-	-	7.66	22.98
	<b>Total ( B )</b>	-	-	-	<b>78.40</b>	<b>22.98</b>
2014-15	Income Tax Demand on account of Share Premium of Rs.4.15 crore	-	-	-	76.37	70.65
2014-15	Interest on above demand	-	-	-	-	58.30
	<b>Total ( C )</b>	-	-	-	76.37	128.95
	<b>Total (D) = ( A)+ (B)+( C)</b>	-	-	-	166.82	165.46
	Un-Claimed deposits (E)	-	-	14.40	-	12.21
	<b>Total =(D) + ( E)</b>	-	-	14.40	166.82	177.67

During the year, Bank has settled all the long pending IT dues under 'Vivad Se Vishwas' scheme where an overall provision of Rs.166.82 lacs was made as on 31.03.2020. After the existing provisions are adjusted towards Income Tax dues under the Vivad Se Vishwas Scheme, the remaining contingent liabilities are Rs.14.40 lacs representing the Un-claimed deposits.

#### 10) Concentration of Deposits, Advances, Exposures and NPAs

##### a) Concentration of Deposits:

Particulars	31-Mar-2021	31-Mar-2020
Total Deposits of twenty largest depositors (Rs in Lakhs)	2384.17	1937.73
Percentage of Deposits of twenty largest depositors to Total Deposits	7.42%	7.83%

##### b) Concentration of Advances:

Particulars	31-Mar-2021	31-Mar-2020
Total Advances of twenty largest borrowers (Rs in Lakhs)	639.19	606.00
Percentage of Advances of twenty largest borrowers to Total Advances	2.60%	3.03%

##### c) Concentration of exposures:

Particulars	31-Mar-2021	31-Mar-2020
Total Exposure of twenty largest borrowers/customers (Rs in Lakhs)	770.57	664.26
Percentage of Exposures of twenty largest borrowers/customers to Total Exposure on borrowers/customers	3.07%	2.34%

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) Concentration of NPAs:****(Rs. in Lakhs)**

Particulars	31-Mar-2021	31-Mar-2020
Total Exposure of Top four NPA accounts	158.81	135.10

**e) Sector-wise Advances:****(Rs. in Lakhs)**

S.No.	Sector	2020-21			2019-20		
		O/S Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector	O/S Total Advance	Gross NPA	% of Gross NPA to Total Advances in that sector
<b>A</b>	<b>Priority Sector</b>						
1	Agriculture & allied activities	5,300.52	257.23	4.85	4,633.81	166.42	3.59
2	Industry (Micro & small, Medium and Large)	4,372.76	145.40	3.33	9,493.72	259.98	2.74
3	Services	1,281.76	-	-	529.17	8.47	1.60
4	Personal Loans	-	-	-	-	-	-
	Sub Total -(A)	10,955.04	402.63	3.68	14,656.70	434.87	2.97
	<b>B - Non Priority Sector</b>						
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry (Micro & small, Medium and Large)	7,250.00	-	-	-	-	-
3	Services	5,509.32	125.16	2.27	5,246.09	127.94	2.44
4	Personal Loans	900.42	0.36	0.04	68.75	0.37	0.55
	Sub Total -(B)	13,659.74	125.52	0.92	5,314.83	128.31	2.41
	Total (A) + ( B)	24,614.78	528.15	2.15	19,971.53	563.18	2.82

During the year, Bank sold Priority Sector Lending Certificates (PSLCs) for a value of Rs.72.50 cr and earned a commission of Rs.96.38 lacs

**f) Movement of :****(Rs. in Lakhs)**

Particulars	Amount
Gross NPAs as on April 1, 2020	563.18
Additions (Fresh NPAs) during the year	216.21
Sub-total (A)	779.39
Less: (i) Upgradations	-
(ii) Recoveries (excluding recovery made from upgraded accounts)	49.26
(iii) Write-offs (including compromises approved)	201.98
Sub-total (B)	251.24
Gross NPAs as on March 31, 2021 (A-B)	528.15

**g) Overseas Assets, NPAs and Revenue**

The bank does not have any overseas operations.

**11) Off-balance Sheet Sponsored**

The bank has not sponsored any off balance sheet item.

**12) Un-amortized Pension and Gratuity Liabilities - NIL**

**13) Intra-Group Exposures – NIL**

**14. Transfers to Depositor Education and Awareness Fund (DEAF) :**

(Rs. in Lakhs)

Particulars	2020 - 21	2019 - 20
Opening balance of amounts transferred to DEAF	12.21	10.20
Add: Amount transferred to DEAF during the year	2.19	2.01
Less: Amounts reimbursed by DEAF towards claims	-	-
<b>Closing balance of amounts transferred to DEAF</b>	<b>14.40</b>	<b>12.21</b>

xv. **COVID-19 Package:** Due to the pandemic, RBI has announced series of relief measures to all the borrowers vide circs. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020, RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20, dated April 17, 2020, VV.BP/8124/ 21.04.048/ 2019-20, dated May 6, 2020, RBI/2019-20/244, dor.No.BP.BC.71/ 21.04.048/2019-20, dated May 23, 2020, DOR.No. BP.BC/04/21.04.048/2020-21, dated August 6, 2020, RBI/2020-21/16, DOR.No.BP.BC/3/21.04.048/2020-21, August 6, 2020, by extending six months moratorium on repayment of instalments on term loans, deferment of interest on working capital limits, restructuring of term loans, sanctioning of FITL etc., Further, RBI has directed Banks to make a general provision of not less than 10% on SMA accounts as on 29th February, 2020, if the accounts are likely to deteriorate in credit quality due to non-servicing of debt. For this purpose, Bank has identified 359 such accounts with an outstanding liability of Rs.136.51 lacs and made a provision of Rs.34.13 lacs during FY 2019-20. Since the moratorium got extended beyond first quarter of FY 2020-21, Bank has further identified 90 more such accounts till June 2020 with an aggregate outstanding liability of Rs.167.98 lacs and made an additional provision of Rs.40 lacs during the first quarter of FY 2020-21.

xvi. RBI has further vide Cir. RBI/2020-21/61, DOR.No.BP.BC.26/21.04.048/2020-21, dated October 26, 2020 directed Banks not to levy compounding interest during loan moratorium period and to refund any such levy to the Borrowers as an Ex-gratia. Accordingly, Bank has refunded an ex-gratia amount of Rs.1.70 lacs to all the borrowers who are levied compounding interest during the moratorium period.

**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	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Revenue	659.05	557.49			3,892.89	3,215.55	969.65	861.43	5,521.59	4,634.47
Result										
Unallocated Expenses									4,165.06	3,897.84
Operating Profit									1,356.53	736.63
Provisions and Contingencies (excluding tax)		8.39			288.85	144.58			288.85	152.97
Income Tax									352.75	317.1
Deferred Tax liability/ Asset									-	-
Net Profit									714.93	266.56
Other Information										
Segment Assets	6,009.41	4,854.10			24,614.78	19,971.53			30,624.19	24,825.63
Unallocated Assets									8,926.13	6,266.91
Total Assets									39,550.33	31,092.54
Segment Liabilities					32,129.16	24,757.51			32,129.16	24,757.51
Un allocated Liabilities									7,421.16	6,335.03
Total Liabilities									39,550.33	31,092.54

Part B : Geographic segments

(Rs. in Lakhs)

	DOMESTIC		INTERNATIONAL		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	5,521.59	4,634.47			5,521.59	4,634.47
Assets	39,550.33	31,092.54			39,550.33	31,092.54

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				54.69		54.69



The details of remuneration of Key Management Persons of the Bank are appended hereunder:

(Rs. in Lakhs)

Sl No	Name	Date of Joining	Designation	Remuneration	
				2020-2021	2019-2020
1	Mr. Donepudi Durga Prasad	06-07-2017	Managing Director	30.31	23.80
2	Mr. J. Murali Krishna	06-06-2019	General Manager & Chief Financial Officer	12.00	8.19
3	Mr.P A Patnaik	01-01-2011	Company Secretary	12.38	11.90
			<b>Total</b>	<b>54.69</b>	<b>43.89</b>

Sr. No.	Name(s) of the Related party	Nature of Relationship Nature of contracts/ arrangements/ transactions	Value of contracts/ arrangements/ transactions during the Year	Duration of contracts/ arrangements/ transactions
1.	M/s PRSV & Co LLP	(*) Appointed as consultants for: 1. Attending income tax assessments proceedings, stay petitions and penalty proceedings in respect of IT related issues; 1. Verification of monthly TDS / TCS payments and submission of returns; 2. Tax consultancy and advisory services;  One of the independent directors, is a partner in the said firm	Rs.1.00 lac Per quarter	For the period 01.10.2020 to 31.03.2021

(\*) The related Director, Mr Ravi Shankar Kolathur retired from the Board with effect from 31<sup>st</sup> July, 2020

**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 detail of components of Deferred Tax Asset / (Liability) are shown below for the Year ended 31.03.2021.

(Rs. in Lakhs)

Particulars		Deference in Exp.	Deferred Tax as at 31.03.2021
<b>Deferred Tax Liability</b>			
Depreciation as per Books	124.41		
<b>Deferred Tax Asset</b>			
Depreciation as per Income Tax Act	79.42	44.99	11.32
Deferred Tax Asset at the beginning of the year			14.33
<b>Net Deferred Tax Asset as on March 31, 2021</b>			<b>25.65</b>

**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.14.40 Lacs is transferred to Depositor Education and Awareness Fund (DEAF) of which Rs.2.19 lacs pertains to the financial year 2020-21

The previous year 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.

**for Sagar & Associates**  
Chartered Accountants  
**Firm Regn. No. 003510S**

Sd/-  
B. Srinivasa Rao  
**Partner**  
**M.No. 202352**

Place: Madhapur  
Date: April 30, 2021

**for and on behalf of Board of Directors**

Sd/-  
Mahpara Ali  
**Director**

Sd/-  
Donepudi Durga Prasad  
**Managing Director**

Sd/-  
Narsi Reddy Vangala  
**Director**

Sd/-  
J. Murali Krishna  
**General Manager & CFO**

Sd/-  
Geetha Mikkilineni  
**Director**

Sd/-  
P. A. Pattnaik  
**Company Secretary**

## Other Disclosures

### A. Capital

#### (a) CRAR

Particulars	31-03-2021	31-03-2020
CRAR	20.84%	21.87%
Core CRAR	20.42%	21.50%
Supplementary CRAR	0.42%	0.37%

(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	39091.81	23579.48

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, 2021.

#### (d) Shareholding pattern as on March 31, 2021

S.No	Particulars	% of holding
1	Corporates	24.67
2	Individuals	75.33
	<b>Total</b>	<b>100.00</b>

### B. Asset quality and credit concentration

#### a) Net NPAs to net loans and advances

Particulars	31-Mar-2021	31-Mar-2020
Net NPAs to net loans and advances	0.29%	0.85%

#### b) Net NPAs under the prescribed asset classification categories as on March 31, 2021.

(Rs. in Lakhs)

Category	Gross NPA	Provision	Net NPA	Percentage of provision to Gross NPA
Sub-standard	205.73	136.10	69.63	25.77
Doubtful - 1	149.37	149.37	-	28.28
Doubtful - 2	152.45	152.46	-	28.87
Doubtful - 3	20.60	20.60	-	3.90
<b>Grand Total</b>	<b>528.15</b>	<b>458.52</b>	<b>69.63</b>	<b>86.82</b>

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

(Rs. in Lakhs)

Particulars	31-Mar-2021	31-Mar-2020
Provision for depreciation on investments	-	8.39
Provision for Non-Performing Assets	219.85	104.14
Provision towards standard assets	29.00	6.31
Provision for taxation	285.39	167.11
Provision for Tax – Earlier years	67.36	150.00
General Provision on SMA as per RBI directions	40.00	34.12
<b>Total</b>	<b>641.60</b>	<b>470.07</b>

d) Movement in net NPAs

Particulars	31-Mar-2021	31-Mar-2020
(a) Opening Balance	166.32	332.79
(b) Additions during the year	-55.29	-51.18
© Reduction during the year	41.39	115.29
(d) Closing Balance	69.63	116.32

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	2.10%	0.23%
The largest borrower group		
The 10 largest single borrowers	10.78%	1.07%
The 10 largest borrower groups		
<b>Total Capital funds &amp; Assets (Rs In lakhs)</b>	<b>4914.48</b>	<b>39550.32</b>

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 appointed M/s. Gram Tarang Inclusive Development Services Pvt Ltd as Business Correspondent with effect from 01-12-2019 with the approval of Board in the meeting held on 12-11-2018 and continuing as Business Correspondent for the FY 2020-21. The details of the business are as follows

Particulars	31-Mar-2021	31-Mar-2020
Deposits (Rs in lacs)	5,326	4887
Advances (Rs in lacs)	193	187
Percentage to total Deposits	16.57%	19.74%
Percentage to total Advances	0.78%	0.94%
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 five directors and the Nomination and Remuneration committee consists of four directors.</p> <p>Scope of the HRD committee</p> <p>To oversee the framing, review and implementation of compensation policy of the bank on behalf of the board. The Human Resources and Development Committee reviews all aspects of the compensation structure such as proportion of fixed component &amp; variable component of pay etc.</p> <p>Scope of the Nomination and Remuneration Committee</p> <p>In addition to other scopes the scope of NRC also includes Identifying persons who may be appointed in the senior management; Recommend to the Board for the appointment of Managing Director and the remuneration payable; laying down the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board policy relating to the remuneration for the directors, key managerial personnel and other employees etc.</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	4	2
			Nomination & Remuneration Committee	4	3

#### 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**

S.No	Particulars	Amount Rs. In '000'
1.	Gross NPAs as on March 31, 2021 as reported by the Bank	528.15
2.	Gross NPAs as on March 31, 2021 as assessed by RBI	-
3.	Divergence in Gross NPAs (2-1)	-
4.	Net NPAs as on March 31, 2021 as reported by the Bank	69.63
5.	Net NPAs as on March 31, 2021 as assessed by RBI	-
6.	Divergence in Net NPAs (5-4)	-
7.	Provisions for NPAs as on March 31, 2021 as reported by the Bank	458.52
8.	Provisions for NPAs as on March 31, 2021 as assessed by RBI	-
9.	Divergence in provisioning (8-7)	-
10.	Reported Net Profit after Tax (PAT) for the year ended 31, March 2021	714.93
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2021 after taking into account the divergence in provisioning	-

**J. Reconciliation of ATM and POS Transactions:**

ATM & POS reconciliation is completed till March 31, 2021

ATM pending entries summary Transaction Type	31-03-2021	
	No of Tran	Amount (in lakh)
Acquirer	394	9.62
Issuer	717	13.20
On us	33	0.89
<b>Total</b>	<b>1144</b>	<b>23.71</b>

**POS pending entries Summary**

Particulars	No of transactions	Amount
Issuer	Nil	Nil

## CASH FLOW STATEMENT

(in Rs.)

Sl No	Particulars	31-March-2021		31-March-2020	
A	Cash Flow from Operating activities		35,84,27,574		12,99,30,720
B	Cash Flow from Investing activities		(10,76,82,287)		(2,91,83,822)
C	Cash Flow from Financial activities		(46,17,629)		(7,32,951)
	<b>Net Change in Cash &amp; Cash Equivalents</b>		<b>24,61,27,658</b>		<b>10,00,13,947</b>
D	Cash & Cash Equivalents at the beginning of the year		53,57,71,377		43,57,57,430
E	Cash & Cash Equivalents at the end of the year		78,18,99,035		53,57,71,377
	<b>Net Change in Cash &amp; Cash Equivalents</b>		<b>24,61,27,658</b>		<b>10,00,13,947</b>
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
I	Net Profit after Taxes	7,14,93,160		2,66,56,063	
	Add : Tax Provision	3,52,75,323		3,17,10,679	
	<b>Sub Total</b>		<b>10,67,68,483</b>		<b>5,83,66,742</b>
	Less : Amount Transferred to Provision for leave encashment	-	-	-	-
	<b>Sub Total</b>	-	<b>10,67,68,483</b>	-	<b>5,83,66,742</b>
	<b>Adjustments :-</b>				
i	Depreciation on Fixed Assets		1,24,41,316		1,38,60,662
ii	Provision for NPAs		2,19,84,977		1,04,14,260
iii	Provision for Standard Assets		29,00,000		6,30,611
iv	Depreciation on Investments		-		8,39,231
v	Interest paid on Subordinated Debts		-		-
vi	<b>Other Provisions</b>				
	Provision for Restructured accounts(interest sacrifice)	-		-	
	Provision for Retired employee's Medical Bills	-		-	
	Adhoc provision for loan loss & Misce.Items /other provision	-		-	
	Provision for Contingent Liabilities	-		-	
	Floating Provision for Loan Losses	-		-	
	Deferred Tax asset for Current year / DTL	-	-	-	-
	<b>Sub Total</b>		<b>14,40,94,776</b>		<b>8,41,11,506</b>
	Less : Direct Taxes (Actual advance Tax paid)		2,53,00,000		1,25,00,000
	<b>Sub Total</b>		<b>11,87,94,776</b>		<b>7,16,11,506</b>
I	Increase in Deposits	73,71,65,198		28,98,56,635	
II	Increase /Decrease in Borrowings	-		-	
III	Increase in Advances	(46,43,25,245)		(22,56,37,419)	
IV	Increase in Other Liabilities & Provisions	(3,08,63,315)		(2,12,15,821)	
V	Increase/ Decrease in Other Assets	(23,43,839)		1,53,15,819	
	<b>Sub Total</b>		<b>23,96,32,799</b>		<b>5,83,19,214</b>
	<b>Net Cash Flow from Operating Activities</b>		<b>35,84,27,574</b>		<b>12,99,30,720</b>

SI No	Particulars	31-March-2021		31-March-2020	
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
I	Investment in subsidiaries and /or Joint Ventures	-		-	
II	Income Earned on Such Investment	-		-	
III	Increase in Investments	(11,55,31,517)		(3,71,28,409)	
III	Fixed Assets				
	Additions during the year	65,03,515		32,46,091	
	Deductions during the year	13,45,715		46,98,496	
	<b>Net Cash used in Investing Activities</b>	-	<b>(10,76,82,287)</b>	-	<b>(2,91,83,822)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
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	(46,17,629)		(7,32,951)	
	<b>Net Cash Provided by (used in) Financing Activities</b>		<b>(46,17,629)</b>		<b>(7,32,951)</b>
<b>D</b>	<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>				
I	Cash in Hand (including Foreign Currency Notes)	4,57,37,308		7,05,69,194	
II	Balance with Reserve Bank of India	1,97,92,032		1,97,92,032	
III	Balance with Banks and Money at call and short Notice	47,02,42,037		34,53,96,204	
	<b>Total :</b>		<b>53,57,71,377</b>		<b>43,57,57,430</b>
<b>E</b>	<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>				
I	Cash in Hand(including Foreign Currency Notes)	6,37,38,294		4,57,37,308	
II	Balance with Reserve Bank of India	2,94,29,532		1,97,92,032	
III	Balance with Banks and Money at call and short Notice	68,87,31,209		47,02,42,037	
	<b>Total :</b>		<b>78,18,99,035</b>		<b>53,57,71,377</b>

In terms of our report of even date

**for Sagar & Associates**  
Chartered Accountants  
**Firm Regn. No. 003510S**

Sd/-  
B. Srinivasa Rao  
**Partner**  
**M.No. 202352**

Place: Madhapur  
Date: April 30, 2021

**for and on behalf of Board of Directors**

Sd/-  
Mahpara Ali  
**Director**

Sd/-  
Donepudi Durga Prasad  
**Managing Director**

Sd/-  
Narsi Reddy Vangala  
**Director**

Sd/-  
J. Murali Krishna  
**General Manager & CFO**

Sd/-  
Geetha Mikkilineni  
**Director**

Sd/-  
P. A. Pattnaik  
**Company Secretary**

**FINANCIAL HIGHLIGHTS****(Amount in Rs. Lakh)**

Particulars	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
Deposits Outstanding	196.93	181.77	218.59	247.58	321.29
Advances Outstanding	147.37	158.89	177.15	199.72	246.15
Income	38.34	36.77	37.93	46.34	55.22
Expenditure	33.05	32.52	33.63	38.98	41.65
Operating Profit (Profit before Prov & Contingencies)	5.29	4.25	4.30	7.37	13.57
Profit Before Tax (PBT)	4.04	3.05	3.07	5.84	10.68
Profit After Tax (PAT)	2.40	2.22	2.12	2.67	7.15
Equity (Capital + Reserves)	34.69	36.96	39.12	41.72	48.40
Total Assets at the end of the period	238.07	233.73	275.72	310.93	395.50
No Of Employees	385	371	359	350	341

**KEY FINANCIAL INDICATORS**

Particulars	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
Return on Equity	7.13	6.19	5.56	6.59	15.87
Return on Avg. Assets	1.02	0.96	0.85	0.91	2.06
Cost of Deposits	7.57	7.09	6.98	7.36	7.24
Cost to Income Ratio	77.72	82.03	82.42	75.07	61.82
Yield on Advances	19.33	18.11	16.84	17.54	17.75
Average Yield on Assets	16.22	15.13	14.68	15.34	15.52
Gross NPAs to Advances	2.74	3.06	4.18	2.82	2.15
Net NPAs to Net Advances	0.83	0.93	1.92	0.85	0.29
Provision Coverage Ratio	70.18	70.19	55.07	70.47	86.82
Credit-Deposit Ratio	74.83	87.41	81.04	80.67	76.61
Capital Adequacy Ratio - Tier-I Capital	22.76	23.97	22.68	21.50	20.42
Capital Adequacy Ratio - including Tier-II Capital	23.12	24.35	23.06	21.87	20.84
Business per Employee (Rs.in 000s)	8,942.79	9,182.15	11,023.43	12,779.73	16,640.45
Operating Profit per Employee (Rs.in 000s)	137.43	114.47	119.9	210.47	397.81
Net Profit per Employee (Rs.in 000s)	62.37	59.81	58.95	76.16	209.66





Inauguration of new premises of Madhupur Branch by Ms. Mahpara Ali, Ex-Director, Ms. B Vijaya Lakshmi, Director and MD



Managing Director addressing at a Gramsabha organised by Manvi Branch.



Gramsabha held by Manvi Branch



Felicitation to Kalaburagi Branch staff on achieving Rs 100 Crore Branch business



Senior Citizens meeting at Kothakota by Mahabubnagar Branch



Branch Manager with MD and other top executives at the Branch review meeting at SBIRB, Gachibowli





**Corporate & Registered Office :**

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