

Bank's Reply to the Queries of the Shareholders

A Queries by Mr. Beruz F. Pouredehi and Mrs. Hodayun B. Pouredehi

Query

Your Balance Sheet has been signed on 31st Aug. 2020 by the Auditors and the Directors. Then why the AGM is being held after 3 months at the fag end of December?

Bank's Reply

With a view to arrest the spread of COVID 19 pandemic, the Government authorities issued advisories on observing safety precautions like social distancing, avoiding gatherings, physical meetings etc. On August 25, 2020, the Director (Cooperation), with the approval of Central Registrar of Cooperative Societies, New Delhi, issued guidelines on holding Annual General Meeting (AGM) through Video Conferencing (VC)/other audio visual means (OAVMs) subject to certain conditions. The Bank is required to give a notice of 30 days (instead of 14 days for AGM in a traditional way) for conducting AGM through VC/OAVMs. Before sending the said notice, the Bank was required to contact the shareholders for updating their emails so that the notice of AGM could be sent to all the shareholders through emails. Collections of details from the shareholders, printing of the annual report, other agenda items took some time. It may be mentioned that keeping in view the unprecedented situation that has arisen due to COVID19 pandemic, the Director (Cooperation) had extended the timeline for conducting AGM by December 31, 2020.

Query

You have shown purchase of fixed assets on page.34 as Rs.27.48 lakhs. Kindly throw light what are these fixed assets we have purchased and from whom?

Bank's Reply

Details of fixed Assets purchased are Furniture & Fixture; Electrical Equipments, Computer Hardware & Software purchased from various vendors.

Query

You have also shown on page. no.34 proceeds from sale of fixed assets as Rs.40,000/- Kindly throw light what are these fixed assets we have sold and to whom.? Whether the same is a related party transaction?

Bank's Reply

Details of fixed Assets sold are old items like UPS, batteries, microwave and air conditioners These items were sold in a buyback arrangement with various vendors. These are not related party transactions.

Query

On page No.34, you have shown provision for COVID19 Regulatory Package as Rs.2,51,64,172/- approx. Rs. 2.52 crores. What are these provisions and what are these Covid 19 regulatory package? kindly explain.

Bank's Reply

The provision of Rs. 2.52 cr (approx.) is on the outstanding balance as on March 31, 2020 in respect of those Loans/Advances which were in default as on February 29, 2020. This provision is made as per the guidelines of the Reserve Bank of India.

With a view to mitigate the debt servicing burden caused by the disruptions on account of COVID19 pandemic, the Reserve Bank of India, on March 27, 2020, announced certain regulatory measures like Rescheduling of Payments – Term Loans and Working Capital Facilities, Easing of Working Capital Financing subject to certain conditions. These regulatory measures are collectively known as Regulatory Package. The regulatory measures were subsequently extended by the Reserve Bank of India up to August 31, 2020 with certain modifications.

Query

You have shown net profit after tax on page. no.34 as Rs.3.28 crores compared to Rs.11.72 crores last year. Why the same has drastically reduced in the year ending March 2020, whereas Covid and lockdown had started from end of March 2020. Kindly throw light.

Bank's Reply

The main reasons for reduction in net profits are;

Increase in the interest on deposits by Rs.7.12 crore

Decrease in interest income on advances by Rs.6.91 crore

Major reason for fall in interest income on loans/advances is decrease in advances and increase in Non-Performing Assets (NPA).

It may be mentioned that the Bank has revised the interest rates on deposits downwards in line with the market conditions. The Bank is also taking steps to improve the recovery in NPA accounts. Further, the Bank would be focussing more on Retail Advances so as to have better credit risk dispersal.

Query

You have shown on page no.55 three types of assets substandard, where you have made provision of 10%. Loss assets you have shown provision of 100% and what is the per cent calculated on doubtful assets between 35% to 40%. Kindly explain.

Bank's Reply

In terms of the guidelines of the Reserve Bank of India, the borrowal accounts showing signs of stress and overdues/overdrawings, have to be classified as NPAs. NPAs have three main categories – Sub Standard, Doubtful and Loss. Depending upon the vintage of the account as NPA and availability of securities, the Banks are required to make provision at the rates ranging from 20% to 100% of the outstanding balances in Doubtful Assets. Further, interest income on NPAs cannot be booked till the amount is actually recovered. The classification of NPAs by the Bank is in line with the guidelines of the Reserve Bank of India.

Query

How many branches we have in Mumbai as well as in Surat? Why are we not expanding to other cities in Gujarat?

Bank's Reply

The Bank has 11 branches in Mumbai and 6 branches in Surat. While the Bank plans to open more branches including in Gujarat, the licences for new branches have not been received.

Query

How much is the package we are giving to the MD & CEO last year as well as this year.

Bank's Reply

The payments made to the MD & CEO was Rs 9.56 lakh and Rs.24.99 lakh during the financial year ended March 31, 2019 and March 31, 2020 respectively. It may be noted that during the financial year ended March 31, 2019 the position of the MD & CEO was vacant for over 7 months.

Query

How much is the sitting fees paid to the Directors for attending the board meeting.

Bank's Reply

Fees of Rs. 25.33 lakh were paid to the Directors for Board & Local Committee Meetings during the financial year ended March 31, 2020.

B Queries/Suggestions by Mr. Noshir Godrej Paghdiwalla

Mr. Noshir G. Paghdiwalla, one of the shareholders appreciated the Chairperson's address, Report on Corporate Governance and overall presentation of the Annual Report. He shared his concerns on the impact of COVID19 pandemic on the economy and the performance of the Bank. Attention of the Board of Directors was drawn towards the increase in cost of funds, contraction of Net Interest Margin, degrowth of Credit portfolio, rise in Non-Performing Assets (NPA), restrictions on the Co-operative Banks like lowering of Group Exposure Limit, enhanced targets for Priority Sector Lending & small ticket loans. He suggested that the recovery of NPAs should be improved. He appreciated the Bank's decision of doing one-time settlement of a stuck up investment. He observed that while amendments to the bye-laws may be necessary, the same should be in line with the Multi State Cooperative Societies Act/ Rules 2002. He made certain suggestions like clarity on expulsion of members, despatch of notice of meeting to the members etc. While concluding, he requested the Board of Directors to be alive to the challenges thrown up by COVID19 pandemic on the economic conditions and the Banking sector.

Bank's Reply

The Bank shares the concern expressed on the unprecedented disruptions caused by the COVID19 pandemic and its impact on the economy and banking sector. The Bank has been taking all possible steps to minimise the adverse impact of COVID 19

pandemic on the people and financials of the Bank. The restrictions on the Group Exposure limits, enhanced targets for Priority Sector Lending, focus on smaller ticket loans are as per the regulatory guidelines issued by the Reserve Bank of India. The Bank is endeavouring to accomplish the same within the timelines mandated by the Reserve Bank of India. Keeping in view the market conditions, the Bank has already revised the interest rates on the deposits. All possible steps are being taken to improve the recovery in NPAs. Wherever feasible and in the interest of the Bank, one time settlements would be done to recover stuck up advances. With a view to comply with regulatory guidelines and have better credit risk dispersal, the Bank would be focussing on Retail/Small ticket loans. Regarding bye-laws, it may be mentioned that the proposed amendments would be subject to the approval of the Central Registrar of the Cooperative Societies and other authorities. Changes/modifications, if any, advised by such authorities would be incorporated.