



**PUDUVAI BHARATHIAR GRAMA BANK**  
(Sponsored by Indian Bank)

**DIRECTORS' REPORT 2011-12**

The Board of Directors have immense pleasure in presenting the fourth Annual Report of the Bank with audited Balance sheet and Profit and Loss account for the year ended March 2012.

**1. Profitability:**

The fourth year operations of the Bank witnessed many important developments in functioning of the Bank. The Bank earned a net profit (before tax) of Rs.297.80 lakhs as against Rs 97.78 lakhs earned during the previous year registering a growth rate of 204%. The Profit after tax increased from Rs.74.75 lakhs to Rs.206.18 lakhs during the year thus showing a year to year (yoy) growth rate of 176%.

**2. Branch Expansion/ Network:**

The Bank opened 2 branches, viz. Kunichampet and Karikalampakkam in rural centres (Tier 6 centres) during the year 2011-12. With this the total branch network has increased to 27.

**Branch Network:**

Region	Classification of branches			No. of branches
	Urban	Semi-Urban	Rural	
Puducherry	6	2	11	19
Karaikal	-	1	5	6
Mahe	-	1	-	1
Yanam	-	1	-	1
<b>Total</b>	<b>6</b>	<b>5</b>	<b>16</b>	<b>27</b>

**Opening of Ultra small branch:**

As per GOI directions, banks shall open "ultra small" branches in the villages covered by them under Financial Inclusion wherever opening of brick and mortar branches is not feasible. These "ultra small branches" will be housed in a small place in such villages and one official of the bank will be visiting the branch for a day or two in a week to help the customers for taking up banking transactions. The bank has also opened one such ultra small branch during the year at Suthukeni village which is being covered by our Mannadipet branch under Financial Inclusion.

### 3. Share Capital:

The issued and subscribed share capital of Rs. 1.00 crore consists of one lakh shares of Rs.100/- each. The share holding pattern is as under:

(Rs. in Lakhs)				
Sl. No	Share holders	No. of shares	Amount	% of share holding
1	Govt. of India	50000	50.00	50
2	Govt. of Puducherry	15000	15.00	15
3	Indian Bank (sponsor Bank)	35000	35.00	35
	Total	100000	100.00	100

### Recapitalisation/Share Capital Deposits:

As per the recommendations of the working committee headed by Dr. K.C. Chakrabarty, Deputy Governor, of RBI on recapitalization of RRBs which have been approved by GOI, an additional share capital of Rs. 12.50 crores has to be released in two stages i.e. Rs.9.50 crores during 2010-11 and Rs.3.00 crores during 2011-12 to the Bank by GOI, Sponsor Bank and the Govt of UT of Puducherry in the ratio of 50:35:15 . All the stake holders released their share in the first instalment of additional capital of Rs 9.50 cr in the above said ratio . However in respect of second stage of share capital of Rs 3.00 cr , the Bank has received the contributions from the Govt of Puducherry and the sponsor Bank . The share of GOI i.e Rs. 1.50 crores for the year 2011-12 is yet to be received .

The additional share capital received is kept in Share Capital Deposit account, the details of which are as under:

(Rs. in lakhs)		
Sl. No	Share holders	Amount received
1	Govt. of India	475.00
2	Govt. of Puducherry	187.50
3	Indian Bank (sponsor Bank)	437.50
	Total	1100.00

### 4. Deposits:

(Rs in Lakhs)		
Deposits	2011-12	2010-11
CA	645.24	264.99
SB	3901.84	2569.93
Low Cost Deposits	4547.08	2834.92
% of low cost Deposits	32.79	30.72
Term Deposits	9318.51	6393.62
Total deposits	13865.59	9228.54

There is a growth of 50.25% on yoy basis under deposits.

## 5. Advances Outstanding:

(Rs in Lakhs)		
<b>PRIORITY SECTOR</b>	<b>2011-12</b>	<b>2010-11</b>
Short Term Loans	9338.69	4757.59
Of which Agri JL Loans	8947.68	4533.28
Agri/Allied term loan	976.09	726.97
<b>Total Agri</b>	<b>10314.79</b>	<b>5484.56</b>
<b>% of Agri Advances to total adv.</b>	<b>62.02</b>	<b>55.83</b>
SME	1113.28	808.09
Others	15.50	8.22
<b>Total Other Priority sector</b>	<b>1128.78</b>	<b>816.31</b>
<b>Total Priority</b>	<b>11443.57</b>	<b>6300.87</b>
<b>% of Priority adv to total adv</b>	<b>68.81</b>	<b>64.14</b>
<b>NON PRIORITY SECTOR</b>		
LAD	369.18	127.71
Non Agri Jewel Loan	4755.75	3324.78
Others	62.23	69.88
<b>Total Non Priority</b>	<b>5187.16</b>	<b>3522.37</b>
<b>Total Advances</b>	<b>16630.73</b>	<b>9823.24</b>
Secured Advances	15053.50	8701.12
Unsecured Advances	1577.23	1122.12
<b>Total Advances</b>	<b>16630.73</b>	<b>9823.24</b>
SHGs	1503.11	1095.06
Weaker Sections	6752.50	4352.55
SC/ST	905.25	673.20
Minority	1252.00	907.22

The advances have grown by 69.29% on YoY basis. The priority sector advances stand at 68.81% as against the mandatory target of 60%. The level of advances to weaker section is 40.60% against the mandatory target of 15%. There is an increase of 37.26% in respect of advances made to Self Help Groups.

**Disbursements made:**

(Rs in lakhs)		
Priority Sector	2011-12	2010-11
Short Term Loans including Agri JLs	10731.36	5854.19
Agri/Allied Term Loans	1187.34	1008.82
<b>Total Agri</b>	<b>11918.70</b>	<b>6863.01</b>
SME	1310.00	932.15
Other priority	27.62	8.00
<b>Total priority</b>	<b>13256.32</b>	<b>7803.16</b>
Non Priority	7498.25	4921.84
Of which LAD	463.84	195.93
Non Agri JL	7034.41	4725.91
<b>Total</b>	<b>20754.57</b>	<b>12725.00</b>
Disbursement made for weaker sections	5825.50	3851.50
SHGs	1917.83	1556.44
SC/ST	225.12	455.20
Minority	412.55	585.75

The Bank achieved the disbursement target set under Development Action Plan (DAP/Memorandum of Undertaking (MOU)) in all the sectors vis-à-vis agriculture, total priority sector and the total advances.

**6. BORROWINGS:**

The Bank has availed certain loans/refinance facilities from the Sponsor Bank and NABARD, the details of which are as under:

**Sponsor Bank:**

(Rs. in lakhs)				
Sl. No	Nature of facility	Purpose	2011-12	2010-11
1	Clean OD	On lending for short term seasonal Agricultural Operations	481.99	992.97
2	Additional clean OD		98.38	46.88
2	Term loan	On lending for other Agricultural purposes	201.94	294.77
4	Term Loan	To meet capital Expenditure	173.47	160.41
<b>TOTAL</b>			<b>955.78</b>	<b>1495.03</b>

**NABARD:**

Purpose	(Rs. in lakhs)	
	2011-12	2010-11
Refinance for lending to Seasonal Agricultural Operations (ST-SAO)	4000.00	1500.00
Refinance for lending to Short Term Loan (OSAO)	50.00	-
Refinance for schematic lending	1127.10	300.00
Total	5177.10*	1800.00

\* Exclusive of Interest provided upto March 2011 to the tune of Rs. 23.54lakhs

**7. Cash and Bank balance:**

(Rs in lakhs)				
Cash and Bank balance	Balance As on 31.03.2012	Average During 2011-12	Balance As on 31.03.2011	Average During 2010-11
Cash held by the Bank	131.55	95.26	103.11	56.65
Balance in CA with Banks	114.56	52.17	406.84	24.49
Balance with RBI	605.00	615.26	478.00	356.75

**8. Investments:**

The details regarding investments of the bank are as under:

(Rs in lakhs)		
	2011-12	2010-11
SLR	2993.82	1901.65
Non SLR investmemts	0	0
Term deposits with Indian Bank	529.39	103.17
Total	3523.21	2004.82

**9. Income earned :**

(Rs in lakhs)		
Particulars	2011-12	2010-11
Int on loans and advances	1440.53	767.04
Int on investments	188.11	106.18
Int on FDs with the Sponsor Bank	46.86	3.84
Non int. income	190.29	105.54
Total	1865.79	982.60

#### 10. Expenditure incurred:

(Rs in lakhs)		
Type of Expenditure	2011-12	2010-11
Interest paid on deposits	738.47	337.12
Interest paid on borrowings	390.46	254.44
Operating expenses	396.20	276.29
Of which: Salary/Staff expenses	208.56	137.73
Non int. non Salary expenditure	187.64	138.56
Provisions and Contingencies	43.06	16.97
<b>Total</b>	<b>1567.99</b>	<b>884.82</b>

#### 11. Fee Based Income

To augment the fee based income, the Bank has DD drawing arrangement with the Sponsor Bank and by this arrangement all the branches of the Bank can draw/ issue DDs on sponsor Bank, payable at 180 select centres all over India. The Bank continues to be a corporate agent of M/S Life Insurance Corporation of India for marketing their policies. The arrangement with M/s Weizmann Forex Ltd. entered last year for payment of Western Union Money Transfer remittances has gained momentum and the number of such remittances handled by almost all branches of the bank has increased substantially improving non-interest income from the activity.

During the year 2011-120 the bank also introduced **National Electronic Fund Transfer (NEFT)** facility enabling customers of our bank to remit funds to and from customers of Indian Bank and all other Banks also through the sponsor bank. This facility is also available among the three RRBs sponsored by Indian Bank as well. Introduction of NEFT has been widely appreciated by the customers and the growth in the volume of these NEFT transfers has been substantial earning sizable income as commission.

#### 12. IRAC (Income Recognition and Asset Classification) norms:

The Bank has identified 83 accounts as Sub Standard assets as per prudential norms stipulated by RBI. Amount of NPAs identified is Rs 35.02 lakhs and gross NPA level works out to 0.21% of total advances. The Bank has made a loan loss provision of Rs.22.01 lakhs for these accounts and net NPA works out to 0.08% to total advances. Recovery level as of Mar 12 was 96%.

#### 14. Image Building Activities:

The Bank inaugurated 5 Farmers Clubs which were approved during last year by NABARD . Financial Literacy campaigns were conducted in three FI villages viz Thondamantham, Uruvairu and Sethur villages jointly with NABARD involving Financial Literacy Counselling Centre (FLCC) , Puducherry, Agricultural Insurance Co. Ltd. and Life Insurance Corporation of India Ltd . The

staff of the Bank contributed one day salary to the Chief Minister`s Relief Fund at the time of Thane Cyclone which caused extensive damage to the infrastructure of the state.

#### **Financial Inclusion- status :**

Under Financial Inclusion 6 panchayat villages ( 9 census villages of which 4 are under the category of Villages with population of 2000 and above and the remaining under the category "with the population below 2000") were allotted to the Bank. Out of 6 Grama panchayats , brick and mortar branches were opened in four villages during 2010-11 and two Field Business Correspondents were appointed in two remaining villages viz Suthukeni and Melakasakudi and their operations through the POS machines were started in the villages. On 31-03-2012 , an Ultra small branch was also opened at Suthukeni village which is attached to Mannadipet branch The Bank also opened 4537 No Frill accounts and issued overdraft in 655 No Frill accounts besides sanctioning of General Credit Cards to 405 Beneficiaries

#### **15. Staff:**

##### **Recruitment:**

The Bank initiated the process of recruitment of 10 officers and 10 multi purpose office assistants (clerical cadre) during the course of the year. Examinations were conducted at Puducherry and Karaikal on 08 05 11 for officers and 15 05 11 for multipurpose office assistants through Institute of Banking Personnel Selection (IBPS) Mumbai. Interviews were held during June 2011, and 10 officers and 10 multi purpose office assistants have joined the bank after having initial induction course at the sponsor bank training centres viz IMAGE for officers and Zonal training centre, Chennai for clerks.

##### **Other training programmes:**

Six Officers were deputed for a 5 day training programme conducted by NIRD at Chennai on Management of Non Performing Assets, two officers to Bankers Institute of Rural Development (BIRD), Lucknow for a training programme on Agricultural Projects Appraisal. One Officer each were deputed for the workshops on Financial Inclusion conducted by IDRBT, at Hyderabad and a workshop organized at Bangalore by CERSAI. Two one day training programmes were conducted with the support of Staff Training Centre, Indian Bank, Chennai for all the officers . Dr. S Kanagasabai, Nominee Director of State Government was sponsored for Orientation Training Programme conducted by BIRD, Lucknow for the directors of RRB.

#### **16. Reconciliation**

##### **Inter Bank Reconciliation:**

The Bank has reconciled all the entries upto date and there is no unreconciled entry.

##### **Inter Branch Reconciliation**

All the entries have been reconciled till 31-03-2012

### **17. Capital to Risk weighted Assets Ratio(CRAR):**

With the opening of new branches and expansion of business by the existing branches, the assets of the Bank have increased considerably. As per the recommendations of the committee headed by Dr K C Chakrabarty, Deputy Governor of RBI, approved by the GOI, RRBs have been infused with additional capital. Our bank has so far received Rs. 11.00 crores out of Rs. 12.50 crores eligible to be received as additional capital. With the improved capital base, our CRAR as on 31 03 12 works out to 13.02% .

### **18. Policies**

The Bank has formulated various policies in compliance with the directions of various authorities such as GOI, NABARD, RBI etc .The new policies evolved during the year are:

1. Loan Policy
2. Purchase Policy
3. Deposit Policy
4. Compensation Policy
5. Disaster Recovery Policy
6. Business Continuity Policy
7. Information Technology Policy
8. Information System Security Policy
9. Depreciation Policy

### **19. Major Change in the accounting policy of the Bank**

Since inception, the Bank has been following the WDV method of depreciation policy and the following rates of depreciation were applied for various fixed assets in the bank:

- |  |       |
|--|-------|
| 1, Computer and computer related items, Vehicles-  | 20%   |
| 2. Safes and Furniture   | - 10% |
| 3. Machinery   | - 15% |
| 4. Incase of items like software higher rates @40% were applied depending upon the life of the assets. |       |

To be in tune with the rates prevailing in the industry and also taking into account the life of the respective assets, the bank has adopted a new comprehensive "Depreciation Policy" during this year. As per the new policy,

1. The rates of depreciation are:
  1. Computer and computer related items, including Software -- 33.33%
  2. Vehicles- -- 20%
  3. Safes and Furniture -- 6.33
  4. Machinery -- 15%
  5. Premises -- 1.63%
2. All the above rates will be under Straight Line Method (SLM)



3. All small items upto Rs. 1000/- will be fully written off in the year of purchase
4. As hitherto, depreciation will be charged for half year if the assets were acquired before September and will be charged for full year if acquired after that.
5. All these rates are equal to or more than the rates prescribed under Companies Act 1956.

Due to the change in the depreciation policy of the Bank, the bank has incurred an additional depreciation charge of Rs. 11.42 lakhs pertaining to the period upto 31 03 2011 since inception which has been accounted for in this year's profit & loss account. The impact due to the change in depreciation policy for the current year is an additional depreciation charge of Rs. 16.86 lakhs. Thus the total impact is an additional Depreciation Charge of Rs 28.28 lacs .

#### **20. Board Meeting:**

Six Board meetings were conducted during 2011-12 and the Bank complied with mandatory requirement. Two meetings of Audit Committee of the Board were also held during the financial year.

#### **21. Board of Directors:**

During the year 2011-12, Sri. D A Ulagan , GM and Zonal Manager, Indian Bank, Zonal Office Puducherry was nominated as Sponsor Bank nominee in the Board. Also Sri. K Jeyabal, GM, Indian Bank, Head Office, who was earlier nominee of the Sponsor Bank as Zonal Manager, Puducherry, was nominated to the Board of directors as Sponsor Bank nominee in place of Sri. Selvam Veeraraghavan, General Manager (PS) of Indian Bank. Sri B Gnanavel , AGM, RBI was nominated by RBI in place of Sri. M A Nasser, AGM, RBI.

## **ACKNOWLEDGEMENTS**

The Board places on record its heart felt gratitude to the retired Directors of the Bank for their valuable guidance rendered by them for the efficient functioning of the bank.

The Board also expresses its sincere thanks to the Indian Bank (sponsor Bank) for the valuable support in administrative and technological matters. The Board also wishes to express its gratitude to the sponsor Bank for the continued financial support including infusion of additional capital.

Our sincere thanks are also due to the Dept of Financial Services, Ministry of Finance, GOI, and Reserve Bank of India, National Bank for Agriculture and Rural Development for the valuable support and guidance.

The Board also expresses its sincere thanks to the Govt. of Puducherry for releasing their share in additional capital infusion. The Board extends sincere thanks to various Govt. Agencies and undertakings for their continued support and patronage.

The Board of Directors further expresses their gratitude to the clientele of the Bank for their support, co-operation and patronage.

The Board records its thanks to M/S Mahalingam & Srivatsan, Chartered Accountants Chennai and M/s S Sadasivam & Associates, Chartered Accountants, Srirangam for their valuable suggestions and timely completion of audit and finalisation of accounts.

The Board also records its appreciation to the staff of the Bank for their sincere and dedicated services.

**General Manager**

**Chairman**

**Date : 27.04.2012**

**Place : Puducherry**