



A multi-state bank

Accelerating Growth

Shivalik Mercantile Co-Operative Bank Ltd.

24th Annual Report 2020-21



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Cautionary Statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



Online Annual report
www.shivalikbank.com

Corporate Information

RBI License No.	UBD.UP.1468 P, dated 20th Sept. 1997.	
Date of Commencement	5th Sept. 1998	
Registered Under	Multi-state Cooperative Societies Act, 2002, Regn. No. L11016/10/2010-L&M dated 14th Sept. 2010	
Area of Operation	Uttar Pradesh, Delhi, five districts of Madhya Pradesh and two districts of Uttarakhand.	
Acquisitions	1. In 2010 – Bhoj Nagarik Sahakari Bank Maryadit, Dhar, MP. 2. In 2012 – Malwa Commercial Coop. Bank Ltd., Indore, MP.	
Regd. Office	13/1207, Ansari Road, Saharanpur-247001 (U.P.) Telefax: 0132-2612381; 2612382; 9927145550	
Head Office	Head Office I: Hakikat Nagar, Saharanpur – 247001 (U.P.) Telefax : 0132-2726125; 2726147; 9927135550 Head Office II: Fusion Square, Plot No 5A & 5B Sector 126, Noida – 201301 Telefax : 0120-4060000 info@shivalikbank.com www.shivalikbank.com www.facebook.com/shivalikbank	
IFS Code	SMCB000 1001 till 1031 where last 4 digits represent the relevant branch code	
No. of Branches	31 branches in 6 clusters 1. Saharanpur 1 Cluster: 5 branches 2. Saharanpur 2 Cluster: 8 branches 3. NCR Cluster: 5 branches 4. Madhya Pradesh Cluster: 5 branches 5. Lucknow Cluster: 2 branches 6. Meerut Cluster: 6 branches	
Business Correspondent	3 - Affiliated with and working under various branches.	
Banking hours	10 a.m. ~ 4.00 p.m. – Mondays to Saturdays Holiday on 2nd and 4th Saturdays	
No. of ATMs	57 (all branches, BC offices and offsite ATMs)	
No. of Micro ATMs	311 m-ATMs deployed as on March 31, 2021	
CBS Platform in use	Finacle, by Infosys Version 10.2.18	
ATM-cum-Debit Cards	Rupay powered EMV cards can be used anywhere in India at all Rupay enabled ATMs. Include Classic and Platinum cards but language to be checked. Online shopping through Bill-Desk enabled. Card can be used at all merchant establishments equipped with Point of Sale (PoS) terminals. Free Accidental insurance on each active card is available.	

Vision and Values



Vision

To serve the lowest strata of society with the best products at the best prices and the best technology-driven customer service, at the same time being a model employer for the national industry and emerging as a global role model in the small banking sector.

Values

Strong relationships with employees and customers

- Building trust
- Unmatched service
- Long-term relationship
- Go an extra mile to help customers

Mutual respect for all employees and customers

- Honour each other's commitments
- Empathetic behaviour
- Respect one another
- Respond to people

Customer centricity

- Listen to the customer
- Customer delight
- Customer connect
- Never underestimate the customer

Big on integrity and reputation

- Honesty
- Transparency
- Moral values
- Being ethical

Overview

Shivalik became the first bank in the history of India to transition from an urban co-operative bank to a small finance bank. The Bank has over 23 years of banking experience in offering retail banking products and services. Since its inception, the focus of Shivalik has been technology, with consumer centricity as a key guiding principle. The Bank is powered by Infosys Finacle Core Banking and Digital Banking Suite, which includes internet and mobile banking. The cloud-based architecture provides the Bank with an unparalleled agility to cost effectively, manage scale and power growth. Shivalik is live on every retail payment platform and is a direct member of the National Financial Switch. We are proud to serve our 4.5 lac unique customer base through 31 branches and 324 banking agents. The Bank services the needs of more than 20,000 borrowers across the states of Uttar Pradesh, Madhya Pradesh, Delhi and Uttarakhand.

Footprint

Shivalik continues to stand as a retail-focused bank addressing the rising needs of the lowest-income economic strata in the areas of its presence, through a combination of loan responsiveness, superior service and affordable cost – a compelling value proposition. From the outset, the bank has focussed on India's small businesses. The needs of their businesses and their expanding working capital requirements form the core of our lending book. In addition, we focus on catering to the personal needs of the business owners too through products such as home loans, personal loans, education loans and others. India's small businesses and business owners are the mainstays of the local economy in many regions and Shivalik aims to be the go-to-bank for them.

Shivalik has 31 branches across the states of Uttar Pradesh and Madhya Pradesh. In Uttar Pradesh, it is present in Saharanpur, Shamli, Meerut, Muzaffarnagar, Hapur, Ghaziabad, Noida (National Capital Region) and Lucknow. In Madhya Pradesh, it has its presence in Indore, Dhar, Khargone, Ujjain and Dewas.

Awards and recognition

- Received 'Client Innovation Award' for customer journey reimagining and modern technology-led innovation at Finacle Client Awards, 2020.
- Received 'Banking Service Excellence Award' in 2017.
- Received 'The Best I.T. Head FCBA Award' in 2016.
- Adjudged with India's top 100 co-operative banks 2015 awards and received 'Certificate of Excellence' by BitStream Mediaworks.
- Received 'Young Achiever's Award' by Hindustan Media Ventures.
- Mr. Suveer Kumar Gupta (MD and CEO) was awarded 'The Best Youth CEO' under the mid-sized co-operative bank category in the FCBA Awards.

Strengths

The first UCB to receive a license to transit into an SFB in India

Strong retail deposits franchise with a CASA ratio of 31%

Secured loan portfolio with 90% of loans collateral backed

Strong and professional management team

Retail banking experience of 23 years

Products & Services

Deposits

- Savings
- Fixed deposits
- NRE deposits
- Flexi recurring deposits
- Current
- Door-to-door deposits

Loans

- Home loans
- Personal and consumption loans
- Gold loans

- Car / auto loans
- Two-wheeler loans
- Loans for working capital
- Reverse mortgage loans
- Roof top solar loans
- Loans to professionals and self-employed
- Loans for micro/SSI units
- Retail traders loans
- Commercial building loans
- Commercial vehicle loans
- Self Help Groups (SHG) & mini SHG

- Loans against warehouse receipts
- Shivalik Green Card (Kisan Credit Card)
- Agriculture term loans

Digital Services

- Internet banking
- SMS banking
- Debit card
- ATM banking
- Cash deposit machines
- POS machine

- AEPS (AADHAR Enabled Payment System)
- Fund Transfer (RTGS/NEFT/IMPS/NACH)
- e-commerce
- Mobile banking

Add-on services

- Insurance
- Remittances
- Lockers
- Business correspondents
- Forex

Our Branch & ATM Network

Branch	Address	Branch Code	Contact Number	Email id
Cluster 1 - District Saharanpur 1				
Ansari Road	13/1207, Ansari Road, Saharanpur-247001 (U.P)	1001	(0132) 2612381, 2612382, 9690014145	bh.saharanpur.ar@shivalikbank.com
Hakikat Nagar	Hakikat Nagar, Nr. Old Sales Tax Office, Saharanpur-247001 (U.P)	1003	(0132) 2726125, 2726147, 9721447447	bh.saharanpur.hn@shivalikbank.com
Chilkana Road	Near Gyan Garden Colony, Chilkana Road, Saharanpur-247001 (U.P)	1009	9917139991	bh.saharanpur.cr@shivalikbank.com
Sharda Nagar	1/1245 Wake Mohalla Khalasi Line, Sharda Nagar, Saharanpur-247001 (U.P)	1017	9634583516	bh.saharanpur.sn@shivalikbank.com
Madho Nagar	Ground Floor, 1546 A/6, New Madho Nagar, Saharanpur - 247001 (UP)	1021	8909811638	bh.saharanpur.mn@shivalikbank.com
BC Offices: Chhutmalpur (affiliated to Hakikat Nagar Branch)				
Cluster 2 - District Saharanpur 2				
Deoband	Plot No-780, Subhash Chowk, Railway Road, Deoband-247554 Dist. Saharanpur (U.P)	1004	(01336) 222808, 9568880001	bh.deoband@shivalikbank.com
Ambehta	Khera Bus Stand Main Road, Ambehta- 247340 Dist. Saharanpur (U.P)	1005	9927165550	bh.ambehta@shivalikbank.com
Nagal	G.T. Road, Near Canara Bank, Nagal, Dist.	1011	(01336)-231112, 9690004794	dbh.nagal@shivalikbank.com
Sarsawa	51 & 53, Gayatri Market, Ambala Road, Main Market, Opposite Punjab Sindh Bank, Sarsawa-247232 Dist. Saharanpur (U.P)	1012	(01331)-246125, 9690004994	bh.sarsawa@shivalikbank.com
Nanauta	Deoband Road, Opposite OBC Bank, Nanauta-247452 Dist. Saharanpur (U.P)	1013	(01336)-253125, 9927986125	bh.nanauta@shivalikbank.com
Rampur	Near Old PNB Building Moh. Mahajanan, Rampur	1014	(01336)-252125, 9927007125	bh.rampur@shivalikbank.com
Gangoh	Rambagh Road, Gangoh-247341 Dist. Saharanpur (U.P)	1002	9927116660	bh.gangoh@shivalikbank.com
Shamli	99/2, V.V. Internal College Road, Shamli-247776	1026	(0139)-8251826, 7088002526	shamli.branch@shivalikbank.com
BC Offices: Nakur (affiliated to Ambehta Branch)				
Offsite ATMs: Nakur (Closed in March 2021), Thana Bhawan				
Cluster 3 - NCR Region				
Noida 27	Bhoja Mkt., Nr. Vinayak Hospital, Sector 27, Noida-201301 (U.P)	1007	(120)-2555334,	bh.noida.27@shivalikbank.com
Ghaziabad	Plot NO. 507, Sachin Complex, G.T. Road, Nr. Bhatia Mod, Ghaziabad-201001 (U.P)	1015	(0120) 2860003, 9560606533	bh.ghaziabad.gt@shivalikbank.com

Branch	Address	Branch Code	Contact Number	Email id
Noida 45	SDA-8, Noida , Gautam Buddha Nagar, Uttar Pradesh-201303	1027	98186 29647	bh.noida.45@shivalikbank.com
Noida 135	WA 68 Upper GF, Near Shriram Millenium School, Sector 135, Noida-201301 (U.P)	1016	99901 06135	bh.noida.135@shivalikbank.com
Indrapuram	Raison Shopping Complex, AhinsaKhand-II, Near Ashiana Green, Indrapuram, Ghaziabad-201014 (U.P)	1019	(0120) 2651717	bh.indrapuram@shivalikbank.com
Offsite ATMs: Dadri, Salarpur Khadar				
Cluster 4 - Madhya Pradesh				
Dhar	Plot No-112, MG Road, Chota Rajwada, Dhar - 454001 (M.P)	1006	(07292) 222413	bh.dhar@shivalikbank.com
Indore	6, Jagjivan Ram Nagar, Main Road, Patnipura Chowk, Indore-452011 (M.P)	1010	(0731) 2704268	bh.indore.jc@shivalikbank.com
Khargone	73 Jawahar Nagar, Khargone-451001 (M.P)	1022	(07282) 232425	bh.khargone@shivalikbank.com
Ujjain	37, Ujjain Trade Centre, Ghatkarpar Marg, Near BJP Office, Freegunj, Ujjain - 456001 (M.P)	1030	96300 11030	bh.ujjain@shivalikbank.com
Dewas	8, Tarani colony, A.B. Road, Near Hotel Abhilasha, Dewas - 455001 (M.P)	1029	9644400702	bh.dewas@shivalikbank.com
Cluster 5 - District Lucknow				
Alambagh	565-KA/68, Amrudhi Bagh, Sringer Nagar, Alambagh, Lucknow 226005 (U.P)	1023	(0522)- 4241777	bh.lucknow.ab@shivalikbank.com
Vikas Nagar	1/175 Sector-1 Vikas Nagar near Shiv Murti Lucknow 226022(U.P)	1024	(0522)-4241888	dbh.lucknow.vn@shivalikbank.com
Cluster 6 - District Meerut				
Meerut	C-2/6, Nai Sadak, Shastri Nagar, Garh Road, Meerut-250004 (U.P)	1008	(0121) 2604364, 9690563000	bh.meerut.sn@shivalikbank.com
Muzaffarnagar	Ground Floor 311, South Bhopa Road, Opposite LIC Office, Nai Mandi, Muzaffarnagar -251001 (U.P)	1018	98374 00037	bh.muzaffarnagar.nm@shivalikbank.com
Khatauli	Ward No. 8, Ganeshpuri, G.T. Road, Khatauli-251201, Distt. Muzaffarnagar (U.P)	1020	95689 25000	bh.khatauli@shivalikbank.com
Hapur	W - 29/73(1), Jal Nigam office, Opposite Collector Ganj, Railway Road, Hapur 245101 (U.P)	1025	(0122)-2300004, 9105551025	bh.hapur@shivalikbank.com
Mawana	2422-2423, Hastinapur, Mawana, Near Subhash Chowk, Dist. Meerut 250401, (U.P)	1028	(01233)-271004 7055027555	bh.mawana@shivalikbank.com
Sardhana	567-569, Chaudhary Market, Near Union Bank, Binoli Road, Sardhana, Dist. Meerut-250342 (U.P)	1031	(01237)-237015, 9105806060	bh.sardhana@shivalikbank.com

All our branches are equipped with ATMs, in addition to these we have 3 offsite ATMs



<p>Launches first branch in Saharanpur on September 5, 1998</p>	<p>Achieves full branch computerisation, the first in the Saharanpur district</p>	<p>Second branch becomes operational in Gangoh</p>	<p>Third branch becomes operational in Hakikat Nagar</p>	<ul style="list-style-type: none"> • Becomes the first and only multi-state co-operative bank of Uttar Pradesh, following the acquisition of Bhoj Nagrik Sahakari Bank Maryadit, Dhar, Madhya Pradesh • Achieves complete Core Banking Status (CBS) 	<ul style="list-style-type: none"> • Opens a second branch in Madhya Pradesh, following the acquisition of Malwa Commercial Cooperative Bank Limited, Indore 	<ul style="list-style-type: none"> • Becomes the first co-operative bank in North India to start issuing RuPay ATM cum debit cards • Installs ATMs at all branches • Changes CBS platform to Profile by FIS
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1999 [†]	2000 [†]	2001 [†]	2006 [†]	2011 [†]	2013 [†]	2014 [†]
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Milestones

2015 [†]	2016 [†]	2017 [†]	2018 [†]	2019 [†]	2020 [†]	2021 [†]
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<ul style="list-style-type: none"> • Completes installation of Cash Deposit Machines and ATMs across branches and BC offices. • Becomes the first co-operative bank in North India to issue debit cards for online/ PoS shopping • Collaborates with merchants to offer in-house PoS devices for electronic payments • Launches SMS banking, enabling easier accessibility 	<ul style="list-style-type: none"> • Launches net banking and mobile banking • Total business of the Bank crosses ₹1000 crore 	<ul style="list-style-type: none"> • Launches cloud based RTGS/NEFT services • Launches NACH and NECS • Launches Green PIN – paperless ATM PIN • Becomes enrolled with Direct Benefit Transfer (DBT) 	<ul style="list-style-type: none"> • Sets up centralised account opening and loan appraisal functions • Launches account opening through m-ATMs • Implements e-KYC authentication • Goes live on IMPS 	<ul style="list-style-type: none"> • Commences migration of CBS platform to Finacle by Infosys, India's second largest technology company • Implementation of paperless account opening service for microfinance customers • Ties up with Bill Desk and BBPS (Bharat Bill Payment System) • Implements LOS (Loan Origination System) • Submits an application to RBI for transition to a Small Finance Bank (SFB) 	<ul style="list-style-type: none"> • Becomes the first UCB in the country to receive in-principle approval from RBI to transition to a Small Finance Bank (SFB) • Goes live on Finacle CBS platform and mobile and internet banking digital suite by Infosys 	<ul style="list-style-type: none"> • Receives the Finacle Award for 'Compliance, Tech and Operations' • Receives banking license to operate as a small finance bank • Goes live on UPI • Completes all the operational switch over requirements to complete the transition of the Bank to a small finance bank • Raised additional capital from promoters and shareholders to prepare for transition to an SFB • Crosses ₹2,000 crore in terms of total business by the Bank
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Note: All years depicted as financial year ending in the respective years shown.

Key Performance Indicators



Parameter	2016-17	2017-18	2018-19	2019-20	2020-21
Capital					
Share Capital (₹ crore)	45.10	45.70	57.33	61.61	72.35
Capital Adequacy Ratio (%)	15.07	12.68	13.07	13.09	13.08
Reserves (₹ crore)	19.94	21.25	21.69	17.08	17.92
Net Worth (₹ crore)	65.69	65.65	77.21	79.27	91.93

Parameter	2016-17	2017-18	2018-19	2019-20	2020-21
Deposits & Advances					
Deposits (₹ crore)	916.97	953.40	1051.20	1139.82	1,244.46
CASA (₹ crore)	332.76	319.52	336.10	319.31	388.83
Cost of Deposits (%)	7.02	6.45	6.17	6.40	6.11
Advances (₹ crore)	559.51	611.61	715.23	718.60	804.86
Yield on Advances (%)	12.99	12.44	12.15	12.13	11.84
CD ratio (%)	61.02%	64.15%	68.04%	63.05%	64.68%
Investment					
Total Investments (₹ crore)	245.28	227.85	246.30	262.82	278.81
Yield on Investments (%)	8.86	7.12	7.87	8.09	8.66
Interest Income & Expenses					
Interest Income (₹ crore)	100.85	99.03	104.92	117.31	120.04
Interest Expense (₹ crore)	61.79	59.69	61.39	71.75	70.86
Net Interest Income (₹ crore)	39.06	39.34	43.53	45.56	49.18
Non-Interest Income					
Non-interest Income (₹ crore)	4.76	7.25	10.58	12.70	15.45
Profitability					
Total Business (₹ crore)	1476.48	1565.01	1766.43	1858.42	2049.32
Operating Profit (₹ crore)	17.63	5.47	4.83	3.46	9.22
Net Profit after Tax & Provisions (₹ crore)	10.02	3.17	3.85	2.25	3.31
Net Interest Margin (%)	4.34	4.15	3.99	4.06	4.16
Average Assets (₹ crore)	961.72	1017.40	1089.86	1224.33	1281.28
Dividend (%)	9	8	8	Nil*	Nil*
Non-Performing Assets (NPA)					
Gross NPA (%)	2.29	2.14	1.57	2.83	3.95
Net NPA (%)	1.35	1.45	1.19	1.87	2.41
Employee Productivity					
Number of Employees	389	503	486	466	470
Business per Employee (₹ lac)	379.56	311.14	363.46	398.80	436.03
Operating Profit per Employee (₹ lac)	4.53	1.09	0.99	0.74	1.96

*Due to RBI regulations regarding distribution of dividends by Bank

Digital banking and how this has transformed Shivalik

Shivalik's digital banking approach has been stewarded by three objectives: customer acquisition and retention, digital channel penetration and digital transactions.

Overview

The digital revolution has transformed every industry; the banking sector is no exception. Digital banking has revolutionised the way the sector is perceived: from a time when it was associated with legacy paper-based practices to electronic systems; from customer queues to seamless service; from large banking premises to virtual

workplaces; from customer complaints to customer delight.

As an early mover, Shivalik embraced technology with the objective to enhance responsiveness, engagement, stakeholder delight and organisational de-risking. The result is an organisation that is digital first in its mindset and works at the heart of building strong customer experience for its customer segments. In doing so,

we were well-prepared for the pandemic with our digital offering having been revamped a few months before the pandemic began!

Shivalik's digital banking approach has been stewarded by three objectives: Customer acquisition and retention, Digital channel penetration and Digital transactions.

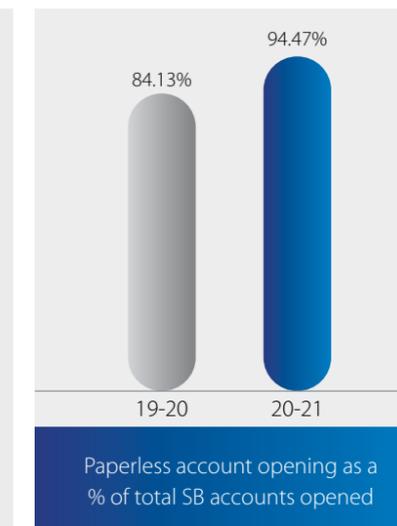
Customer acquisition and retention

Shivalik has invested in digital means to attract customers, strengthening business sustainability. It fundamentally believes in the power of digital banking and providing banking services at the fingertips of our customers, in the process making our customer journey more efficient. Paperless account opening now accounts for ~95% of all savings accounts opened, which shows the strength of our team's digital mindset. In addition, approximately 78% of new accounts activated their debit cards, 42% of new accounts

opened in FY2020-21 registered on mobile banking and 23% registered on internet banking.

The Bank has found a direct co-relation with deep digital engagement and customer retention in addition to the average customer business value. The higher number of digital channels that they are registered to use, the greater is the customer's average deposit balance and transaction volume.

In turn, this extends a range of services and benefits to customers through the seamlessly digitalised route, reconciling speed and convenience.



Digital channels penetration

At Shivalik, digital banking has accelerated process speed, enhanced simplicity and increased operating efficiency. Shivalik has equipped itself with digital banking capabilities to serve a progressively widening

customer base without increasing its cost structure and empowering its customers to select their service preference without the need for manual intervention. This is reflected in the substantial increase in the use of digital banking channels in FY2020-21.

Digital penetration 2019-20 2020-21

Mobile banking as a proportion of total eligible customers

Year	Percentage
2019-20	5%
2020-21	14%

Internet banking as a proportion of total eligible customers

Year	Percentage
2019-20	4%
2020-21	9%

Digital transactions

The quantum of digital transactions represents a faithful index of customer acceptance of digital channels. During the last few years, Shivalik embarked on a number of initiatives to enhance customer awareness of its digital modes and offerings. Shivalik launched campaigns through social media, SMS and email. During FY2020-21, we witnessed a surge in digital transactions

through mobile and internet banking. UPI was launched in March 2021 and hence the full effect of this was not visible in FY2020-21 but we expect this to be a major transaction driver in the future. Cash related transactions declined as the use of ATMs was reduced significantly due to the lockdowns, however, fund transfers through NEFT / RTGS increased rapidly. In FY2020-21, 4 out of 5 transactions

done at Shivalik were through digital channels.

Digital transactions 2019-20 2020-21

Digital NEFT as a proportion of total NEFT transactions

Year	Percentage
2019-20	33%
2020-21	61%

Digital RTGS as a proportion of total RTGS transactions

Year	Percentage
2019-20	14%
2020-21	34%

Credit Portfolio



Overview

Shivalik Bank's competent credit management is built around a risk-managed, balanced and diversified portfolio of loans and advances. We are focussed on small ticket size borrowers in retail segments serving the hinterlands. Our focus on secured lending makes it possible to hedge the company's exposure to unforeseen market developments and not risk the company's loans and advances portfolio through economic cycles, a fact that is visible with the asset quality the Bank has shown through the ongoing pandemic.

The Bank's diversified credit portfolio comprises credit products for a range of needs of individuals and MSMEs through products such as business loans, housing loans, loans against property, gold loans and Microfinance. Key highlights for FY2020-21 were :

- Maintained asset quality better than most peers with a Gross NPA of 3.9% as on March 31, 2021. This included pro-forma NPA of 1.6%, which were

recognised in the last week of the financial year following the removal of the stay on NPA marking.

- Grew the loan portfolio by 12% over prior year including 2x growth in gold loans (at 75% LTV), which emerged as a key segment to focus on during the pandemic, offering immediate liquidity to customers and a safe product class for the Bank
- Shivalik offered a moratorium to its customers as a default option but launched an awareness campaign for customers around the need to opt out if they could. As a result, the moratorium uptake at Shivalik by August end was 56% vs other UCBs of 64% and SFBs at 68%.
- Maintained a secured lending focus with 90% of the Bank's portfolio backed by property, gold or fixed deposits.
- Continued its focus on priority sector lending and loans below ₹25 lac in preparation of the transition to become India's first SFB from a UCB.

In recent years, even as India's banking sector widened its credit portfolio of unsecured loans, Shivalik has remained away from this category and this decision has been vindicated during the ongoing pandemic.

90%

Loans secured by collateral

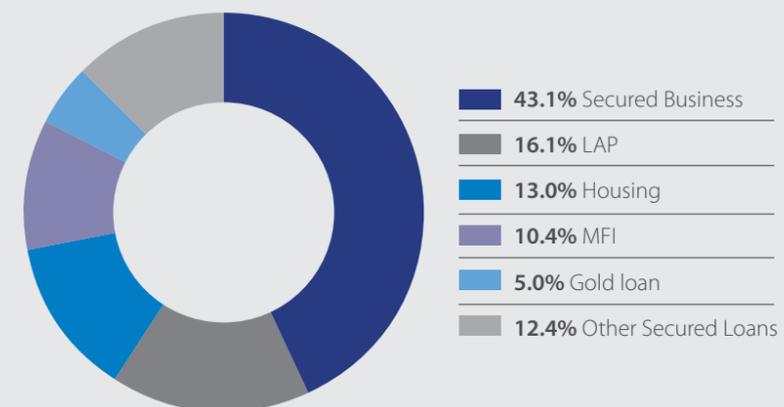
3.8

₹ lac, Average ticket size

>50%

Small lending (Upto ₹25 lac per borrower)

Product split



Customer profile

43%

Business

57%

Individual



At Shivalik, we recognised that latent within the pandemic challenge resided an unprecedented opportunity

Overview

The global economy contracted 3.3% in 2020 compared to 2.9% growth in 2019. This represented the sharpest global economic contraction since World War II.

This contraction was primarily triggered by the outbreak of the COVID-19 pandemic and the consequent suspension of economic activities and a worldwide lockdown.

India was not spared of the impact of this universal phenomenon. India reported an overall de-growth in its GDP, with the first quarter witnessing a steep decline of 23.9%, followed by a 7.5% contraction in Q2, growth of 0.4% in Q3 and a growth of 2% in Q4. The result was that the Indian economy reported a degrowth of 7.3% for the full year of FY2020-21.

The unprecedented pandemic initiated a number of sweeping changes. These comprised working from home and extensive digitalisation adoption. As per RBI data, India recorded around 100 million digital transactions in a single day, generating a volume of ₹5 trillion, five

times the average daily throughput in 2016 and setting the platform for RBI to anticipate a five-fold growth to 1.5 billion transactions per day worth ₹15 trillion across the foreseeable future.

In the space of just a few months, the practice of working from home emerged as one of the most decisive corporate developments, enhancing productivity, moderating costs, enhancing convenience and inspiring a complete reinvention of the way individuals or companies can work in the future.

Shivalik's responsiveness

At Shivalik, we recognised that latent within the pandemic challenge resided an unprecedented opportunity. This distinctive and contrarian understanding was perhaps the most decisive conclusion to emerge from the Bank's working during a challenging financial year. The basis of this conviction was a recognition that a number of co-operative banks would go slow in planning for business change or growth until the pandemic impact had subsided.

The management engaged in a number of business-strengthening initiatives at a time when general business confidence was at a premium. The Bank proactively initiated a business continuity plan as early as February 2020 when reports of the virus were only emerging from China; this comprised possibilities of remote working model for key head office functions in the event that the pandemic entered and affected India.

The management designed a function-wise staff rotation mechanism at the head office that indicated how teams would operate at the head office in the event that essential businesses would be allowed to operate with limited people resources. Moreover, the Bank proactively placed indents beginning March 2020

whereby branch entry was restricted and the provision of hand sanitisers in accessible locations. Besides, the Bank networked extensively (telephonically through branches) with customers to ascertain their well-being and possibilities of their needing banking support.

The complement of these initiatives ensured that the Bank was pandemic-prepared when the country entered a state of lockdown from the last week of March 2020.

Key RBI schemes supporting MSME businesses

The pandemic initially created an environment of uncertainty as businesses could not transact, sales declined and consumer sentiment was at a premium.

the previous year). The RBI strengthened credit delivery mechanisms, ensuring that banking services would be available to all sectors, especially MSMEs.

The RBI made eligible lending by small finance banks (SFBs), micro finance institutions (NBFC-MFIs and others), with gross loan portfolios of up to ₹25 crore by the end of March 2021, for summation as priority sector lending as such loans can be reduced from the net demand and time liabilities for cash reserve ratio requirements till the end of December 2021. Moreover, it was decided to conduct special three-year long-term repo operations (SLTRO) of ₹10,000 crore at the repo rate, for the SFBs to be positioned for a fresh lending of upto ₹10 lac per borrower.

Quarterly proactive off-site vulnerability assessment exercises are carried out for banks, NBFCs, SFBs and UCBs through the use of tool kits like data analytics, early warning systems, identification of vulnerable borrowers, stress testing, vulnerability on cyber security parameters and via different thematic analyses.

The Ministry of MSME, Government of India and SIDBI set up the Credit Guarantee Trust Fund for micro and small enterprises (CGTMSE) with a view to facilitate the flow of credit to the MSE sector without the need for collateral/ third party guarantee. The main objective of the scheme is for the lender to give significance to project viability and secure credit facility purely on the primary security of the assets financed. The aim of the scheme is to guarantee the lender that in the event of an MSE unit, which helped collateral-free credit facilities, failing to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender as per the scheme.

Shivalik Mercantile Co-operative Bank grew its total deposits by 9.2% to ₹1,245 lac in FY2020-21. The Bank's CASA ratio increased to 31.1% during the year under review.

for laptops before lockdown has been imposed; this minimised interruption when all head office functions moved to the remote working model. The company's IT team arranged for virtual connectivity to the office network for all employees, making the transition to remote working smooth and seamless.

A rotation system for branch banking and front-line teams prioritised staff safety without compromising customer service. The Bank implemented precautionary checks and balances comprising temperate checks, a queue system

In this environment of uncertainty, the Reserve Bank of India moved with speed to protect loan quality and provide much-needed repayment moratoriums.

The RBI implemented recommendations of the Expert Committee on MSMEs to enhance credit flow within the economy in general and the banking sector in particular. The RBI increased credit flow to the MSMEs. On a year-over-year basis, the outstanding credit to MSMEs by scheduled commercial banks increased by 8.9% in December 2020, the amount outstanding at ₹16,86,325 crore (6.2% in

The CGTMSE would provide for credit facility of up to ₹200 lac, which has been extended by the lending institutions without any collateral security and/or third-party guarantees. A guarantee and an annual service fee is charged by the CGTMSE to avail of the guarantee cover.

Performance during FY2020-21

I am pleased to announce that Shivalik Mercantile Co-operative Bank grew its total deposits by 9.2% to ₹1,245 lac in FY2020-21. The Bank's CASA ratio increased to 31.1% during the year under review.

Meanwhile, the total advances increased by 12% in FY2020-21, out of which loans up to ₹25 lac comprised 52.5% of the portfolio. The Bank's NII grew by 7.3% to ₹4918 lac, while the NIM stood at 4.16% for the year ended March 31, 2021.

Shivalik displayed strong asset quality, withstanding the pandemic due to its secured lending philosophy. It ended the year with a Gross NPA of 3.9%, which included 1.6% of pro-forma NPAs marked post the lifting of the stay on NPA marking by the Hon'ble Supreme Court on March 23, 2021. Given that the Bank has to follow due timelines for recovering through the auction of collaterals, the recoveries materialised in the subsequent financial year.

Shivalik recorded a profitable year in FY2020-21, with the pre-provisioning operating profit standing at ₹922 lac, a year-over-year increase of 166% and the profit after tax being valued at ₹331 lac, witnessing a rise of 47% over the year.

The Company's employed capital increased during the year under review, primarily in preparation of the Bank's transition from a co-operative bank to a small finance bank.

Shivalik's customer focus

During the pandemic, we reached out to all our customers through telephonic communication with the objective of checking on the well-being and health of the customers as well as checking if any banking related support was required. Each branch was given the task with the responsibility to reach all customers. Besides, the customers were encouraged to make transactions over digital channels - e-banking and m-banking. Registration for both of these services was made available over SMS banking to ensure that the customers could access banking services without leaving the security of their homes.

Shivalik recorded a profitable year in FY2020-21, with the pre-provisioning operating profit standing at ₹922 lac, a year-over-year increase of 166% and the profit after tax being valued at ₹331 lac, witnessing a rise of 47% over the year.

Transaction limits on digital channels were enhanced after obtaining additional insurance coverage by the Bank to protect customers in case of any cyber frauds. This allowed the customers to manage their fund transfers with ease on the Bank's internet and mobile banking platforms.

There were cases where the customer's KYC was expiring. In such cases, additional time was granted to complete their re-KYC without putting any restrictions on their accounts.

Key digital banking and technology developments

Shivalik continued to strengthen its

technology framework in FY2020-21, having rolled out a new core banking application in the previous financial year along with an enhanced and feature-rich digital banking suite of internet and mobile banking products.

From a customer stand point, the Bank went live on UPI and QR-based payments. This was a definite need of our customers especially with the pandemic accelerating the use of digital transactions. In addition, digital transaction volume increased substantially in the prior year with 80% of all transactions in the Bank being on one digital channel or the other. Penetration of internet and mobile banking channels increased between 2-3x over prior

year. The Bank's digital channels were appreciated by the customers in their time of need. In addition, the Bank introduced the SMS-based activation of digital channels as well which allowed first time digital users to quickly activate these services.

For employees, remote working facilities with the ability to video conference from any device was introduced. In addition, mobile-based learning programs and virtual townhalls were conducted to ensure that employee learning and motivation remains high through the challenging period of the pandemic.

Transition to a small finance bank

The Bank received an in-principle approval to transition from a co-operative bank to a small finance bank in January 2020 from the Reserve Bank of India. Shivalik was the first bank to receive this approval under the RBI scheme. This warranted the formation of a banking company, design processes to transfer assets and liabilities from the co-operative society to the banking company after factoring all material factors (including taxation)

This was a pioneering journey undertaken by your Bank and it is fitting in its journey where Shivalik has been a pioneer on so

The Bank received an in-principle approval to transition from a co-operative bank to a small finance bank in January 2020 from the Reserve Bank of India. Shivalik was the first bank to receive this approval under the RBI scheme.

many fronts, such as being the first multi-state urban co-operative bank in UP and being the first to host its core banking technology infrastructure on cloud.

The management and the operating teams have worked incredibly hard in the FY2020-21 to complete the major steps involved in the transition. The Bank was able to show a readiness for transition to the RBI by late 2020 and on January 1, 2021, the Bank received the license to operate as a small finance bank, thereby making history in the process. Within a few months of this, the Bank pushed ahead and went live as a small finance bank on April 26, 2021, ahead of the 18

month timeline allowed by the RBI from the date of the in-principle approval.

The pandemic impact

The pandemic has inspired a rethink in a number of approaches in the way business will be done in the future. The cumulative impact of these changes could translate into a fundamental change in the way banks operate. For one, we believe that the transition of banks from physical locations will accelerate towards the digital model; this will moderate costs on the one hand, strengthen our virtual presence, deepen a hybrid approach with a growing smartphone relevance and put a premium on superior customer service.

Thanks to sweeping digitalisation, banks are increasingly using digital channels to offer a range of services, including the onboarding of new customers through video KYC, deposits, withdrawals, outward remittances and payment collections, among others.

Outlook

The decline in the pandemic outbreak could not be sustained as there was a sharp second wave of the COVID-19 pandemic towards the later part of FY2020-21, which spilled into April and May 2021.

This rebound did not affect the country's economy as severely in the first quarter as it had done in the previous corresponding quarter of FY2020-21; India recorded a YoY GDP growth of 20.1%. As of October 2021, the country had vaccinated over 100 crore people, catalysing the economy. IMF projects that India is likely to report GDP growth of 9.5% during FY 2021-22, primarily on account of extensive vaccine rollout. Besides, the global economy is projected to grow at 5.9% in 2021, mainly on account of the accelerated global vaccine rollout, coupled with additional policy support within the large economies.

In FY 2021-22, we see exciting prospects as we transition to Shivalik Mercantile Co-operative Bank. There will be a growing focus on servicing the growing needs of small businesses. The newly-turned small finance bank will balance the brick-centric and click-driven model, the latter being catalysed by partnerships with fintechs. We believe that a prudent investment in technology will empower the company to enhance earnings, widen the net interest margin and strengthen asset quality. In view of this, we believe that the Bank will grow operations profitably, the basis of business sustainability.

I must assure our stakeholders that this direction will only accelerate as we have transitioned from an urban co-operative bank to a small finance bank, empowering our customers and building a stronger Bharat.

Shiv Puran Gulati

Chairman

Board of Directors



Shiv Puran Gulati
Chairman



Yashvir Kumar Gupta
Vice-Chairman



Arun Kumar Malik
Director



Dr. Kamal Kant Gupta
Director



Nem Chand Garg
Director



Dr. Sanjeev Mittal
Director



Sarvesh Singhal
Director



Satyasheel Rao Pawar
Director



Sudhakar Agarwal
Director



Vijay Kumar Dhingra
Director



Suveer Kumar Gupta
MD & CEO

Senior Management Team



Navleen Kundra
Chief Risk Officer



Gaurav Mittal
Chief Operating Officer

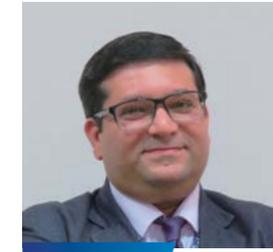


Harsh Mittal, FCA
Chief Financial Officer

Functional Heads



Ankit Khare
Information Technology



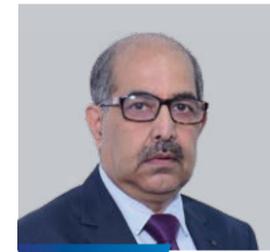
Divya Sethi
Business Development



Gaurav Kumar Gupta
Finance



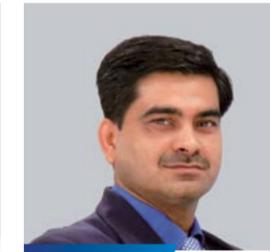
Gyanendra Bajpai
Credit



Harish Bhatia
Treasury



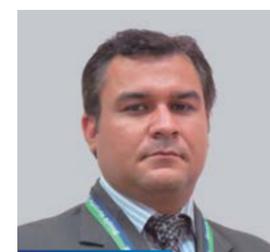
P. K. Gupta
Audit



Pradeep Shukla
Compliance



Ravi Ratnaker Singh
Operations



Sarul Chaudhary
Insurance



Smriti Baliga
Human Resource



Vijay Agarwal
Microfinance



Vishal Kaushik
Administration



Shruti Pandey
Company Secretary

STATUTORY REPORTS

DIRECTORS' REPORT

Dear Shareholders

The Board of Directors take great pleasure in presenting the 24th Annual Report on the business and operations of your Bank, together with the Audited Statement of Accounts for the year ended March 31, 2021.

MACROECONOMIC TRENDS

Macro-economic indicators are an important tool to assess the external economic environment that the business would be operating in. The state of the Indian and the global economy have significant impacts on policy decisions by governments and regulatory bodies which in turn have an impact on the banking industry.

The impact of COVID-19 and related lockdown which caused the health of Indian economy to deteriorate. GDP saw a contraction of 7.1% in 2020-21 and the Indian economy entered a technical recession for the first time in its history. Due to lack of demand amid lockdowns globally, crude prices fell to all time low of recent history i.e. USD 22.70. INR also depreciated to all time high in April 2020 and reached a level of ₹77.57 for 1 USD.

Conditions started improving from Q3 2020-21 with economy observing growth after two quarters of contraction. RBI, IMF and other agencies are expecting a double-digit growth in Indian economy for atleast the next two consecutive years. As the global economy started to revive, the crude prices also started increasing due to the rise in demand. In 2020, Nifty50 went on a roller-coaster ride—making a low of 7,511 in the month of March, to reaching an all-time high of 14,024 by the year-end. We witnessed a sharp fall in the month of March when Nifty50 went from 11,380 levels to 7,500 levels, mainly due to the coronavirus panic.

Notwithstanding the impact of localised lockdowns due to subsequent waves of the pandemic, the overall outlook for next two years for Indian as well as global economy remains positive aided by the large-scale vaccination drive being carried out globally.

EFFORTS BY THE GOVERNMENT AND RBI IN 2020-21

India 10-Year benchmark traded in a range of 5.75%-6.50% in FY 2020-21. RBI took several market friendly measures like OMOs, LTROs and TLTROs etc. to keep the treasury yield within its comfort

level. Government left its fiscal consolidation path by announcing a huge market borrowing i.e. an excess of 80% of the previous borrowing announcement in Union budget 2020. Throughout the year, RBI also assured ample liquidity surplus in the system to support growth. Policy rates were reduced by 115 bps along with reduction CRR from 4.00% to 3.00%.

FINANCIAL PERFORMANCE

The financial highlights for the year under review vis-à-vis last year, are presented below:

Particulars	₹ in Crores	
	FY 2020-21	FY 2019-20
Deposits	1244.46	1,139.82
Borrowings	7.69	7.69
Advances	804.86	718.60
Investment	278.81	262.82
Interest Earned	120.04	117.31
Other Income	15.44	12.70
Total Income	135.48	130.01
Interest Expenses	70.86	71.75
Operating expenses	55.74	55.10
Provisions & Contingencies/Taxes	5.58	0.91
Total Expenses	132.18	127.75
Net Profit for the year	3.31	2.25
Profit/Loss brought forward	2.22	4.76
Write back of excess IFR & PY Adjustment	-0.02	-0.31
Total Profit	5.51	6.70
Appropriation		
Dividend to shareholder of previous FY	0.00	-3.67
Transfer to Statutory Reserve	-0.83	-0.56
Other Reserves	-0.36	-0.25
Net profit carried over to Balance Sheet	4.32	2.22

During the financial year under review, the deposits of our bank increased to ₹ 1244.46 Crores registering a growth of 9.1% as compared to prior year. The increment was largely driven by growth in term deposits which represents a reasonable performance given the significant dip in consumer confidence in UCBs following the detection of a large-scale fraud at PMC Bank. Advances increased to ₹ 804.86 Crores registering a growth of 12.0% as compared to

the last financial year as the bank expanded its retail mortgage loans book and grew its gold loan portfolio significantly. The total business size of the bank grew by ₹ 191 Crores during the financial year under review which translates to 10.3% growth over prior year. Despite the headwinds for the banking sector with the pandemic, this represents a strong performance.

Net Profit (after tax and provisions) has increased to ₹ 3.31 crore which represents an increase of 47% compared to the previous financial year. The bank registered a pre-provisioning operating profit of ₹ 9.2 Crores which was over-exceeded by more than 100% compared to prior year. This was driven by strong performance on the investment portfolio with realised gains and trading profits (₹ 6.1 Cr) materialising as a result of the large rate reductions effected by the RBI last year. In addition, the net interest income also rose by 7.3% YoY (₹ 3.6 Cr). This was offset by lower non interest income on account of reduction in account maintenance charges, SI bouncing charges and ATM transaction income which were all impacted by COVID. The operating costs excluding commission paid on MF business declined by 3% YoY. Net Interest Margin remained healthy at 4.2% which highlights the continued strength of the core banking activities central to any bank. Staff expense ratio experienced significant decline in the year and asset quality remained strong with Gross NPA at 3.95% as at the end of the financial year under review.

CAPITAL RAISING & CAPITAL ADEQUACY RATIO (CRAR)

During the year under review, the Bank has issued 10,73,335 equity shares of ₹ 100 each aggregating to ₹ 10.73 Crores. Post allotment of aforesaid equity shares, the subscribed capital of the Bank stands at ₹ 72.35 crore comprising of 72,34,746 equity shares of ₹ 100 each as on March 31, 2021.

The Bank is well capitalised with a Capital Adequacy Ratio of 13.08% as at March 31, 2021. The significant strength of our capital position provides the bank with adequate head room to cater to any unforeseen challenges that may be experienced in 2021-21 due to the deepening of the COVID-19 crisis.

DIVIDEND

The Bank has been profitable since inception and has a consistent track record of rewarding its shareholders by way of dividends. Shivalik Mercantile Co-operative Bank (SMCB) transitioned to Shivalik Small Finance Bank Limited (SSFB) w.e.f. April 26, 2021. In view of this, as on date of finalisation of this Directors Report, SMCB is no longer operating as a bank and accordingly, no dividend has been declared by SMCB.

TRANSFER TO RESERVES

As per the requirement of RBI Regulations and in accordance with provisions of section 63 of the Multi States Co-Operative Societies Act, 2002 & Bye Laws of the Bank, the Bank has transferred the following amounts to various reserves during the Financial Year ended March 31, 2021:

Amount transferred to	Amount (₹ in Crore)
Statutory Reserve	0.83
Investment Fluctuation Reserve	-
Special Reserve u/s 36(1)(vii) of Income Tax Act	-
Contingency Reserve	0.33
Provision on Standard Assets	0.38

OPERATIONAL HIGHLIGHTS

FY 20-21 was an extremely challenging year for the banking industry with the pandemic. Shivalik had received in principal approval to transition to a Small Finance Bank in January 2020 and therefore FY 20-21 represented one of our busiest years ever!

MANAGING THE IMPACT OF THE PANDEMIC

The bank was well prepared to adapt to the remote working environment which became the norm as a result of the pandemic and implemented work from home for its corporate office a week before the government announced the first lockdown in end March 2020. In addition, the bank implemented a number of initiatives for its customers by offering loan moratoriums by default on an opt-out basis, establishing a calling team to contact all customers to enquire about their well being and offering tele-medicine services to customers through a tie up with one of our partners. We also took this time to organise virtual employee events with several townhalls and online employee activities undertaken.

The bank increased the efforts on recovery and collections understanding the adverse impact the pandemic would have on the core target customer segment of the bank i.e small retail borrowers especially businesses. The bank prepared customer education campaigns on the economic impact of the moratorium so customers who were able to pay did not continue to avail the moratorium. This led to the moratorium uptake being lower at Shivalik than in the UCB and SFB industry in general. Our credit and tech teams worked diligently to roll out the regulatory changes announced by the RBI and the government to ensure that we could service the needs of our customers relentlessly through this time.

In terms of asset strategy, the bank benefited from the reduction in the policy rates due to the increase in the price of the government

securities it held. The bank maintained a cautious mix between booking profits and managing long term running yield of the investment portfolio. On loans, the bank's strategy was to focus on quick liquidity secured products such as gold loans and loans against insurance policy especially in the first half of the year. The gold loan book doubled in FY 20-21 along with growth in the retail mortgage segment.

The pandemic also provided a push to the digital banking adoption and with our newly revamped internet and mobile banking platforms, the bank was ready to cater to the increasing demand from our customers. The bank finished with a penetration of 23% of its eligible customer base being on internet or mobile banking which increased 2.5 times over prior year. Over 95% of all savings accounts opened in the prior year were digitally opened and 80% of

all transactions in the bank were on a digital channel. The bank also went live on UPI in March 2021 which became an essential payment method during the pandemic.

TRANSITION TO A SMALL FINANCE BANK

The bank commenced its preparations for the transition to a small finance bank launching an internal project to begin preparations for the switchover of the bank into its new avatar of a Small Finance Bank. This involved registration of a new company, infusion of additional capital and applying to the RBI for the final license to commence operations. Our teams worked tirelessly on customer and shareholder communication along with our service providers which resulted in a seamless transition on 26th April 2021. This was a journey which the team had been waiting to undertake and they put their best foot forward.

INITIATIVES TAKEN BY VARIOUS DEPARTMENTS

During the financial year under review, a list of the key achievements and initiatives of each department are shown below:

Department	Initiatives
Audit	<ul style="list-style-type: none"> Microfinance Financial Audit and Field Audit initiated Transition to more sophisticated system RBIA initiated Internal training sessions at branch level and for internal auditors organised to upgrade skills
Compliance	<ul style="list-style-type: none"> Successfully planned and completed transition of UCB into SFB and Go-live Successfully completed migration of all the licenses and payment systems required under SFB Completed automation of AML and transaction monitoring Installation of all the reporting systems required under SFB
Human Resource	<ul style="list-style-type: none"> Launched a comprehensive training calendar focused on both functional and managerial skills workshops Enhanced new hire experience with introduction of welcome kits to new joiners Compensation survey initiated to benchmark remuneration in the bank with the industry
Information Security	<ul style="list-style-type: none"> Upgrades to firewalls and other network security aspects Increased VAPT activities and DC / DR drills Implementation of new solutions such as patch management, PAM (privileged access management), NAC (Network Access Control) and others in line with the cyber security roadmap of the bank Enhanced the DR sites and back up drills process to ensure 100% back up and uptime of critical applications.
Information Technology	<ul style="list-style-type: none"> Technology support to the branches and business teams was ensured during the covid crisis, ensuring the business deliverables are not impacted. VPNs, Laptops, Remote Access was facilitated basis the needs Registration for digital banking was made available over SMS banking, encouraging the customers to transact within the safety of their homes over E-banking and M-banking Preparedness for SFB transition was ensured with an idea of making it as seamless as possible for the customer Strengthened the integration capabilities by bringing in Oracle Middleware and API Gateway Bank went live on UPI as an issuer EMV certification for Recycler was completed Implementation of Corporate governance suite was initiated. Implementation of KMT (Knowledge management Tool for regulatory and statutory info) was completed

Department	Initiatives
Insurance	<ul style="list-style-type: none"> Migration towards digital payments for fresh & renewal premium of insurance products during pandemic Waiver of late fees on all renewal premiums during the pandemic Initiated 'Doctor On Call' service for virtual free doctor consultation during lockdown
Legal	<ul style="list-style-type: none"> Empanelment of the new advocates for faster and speedy disposal of cases Creation of a robust legal dashboard for tracking litigations Field visit by legal executives along with collections team for early and effective recovery Constitution of Sarfaesi action committee for Bid approval and sale of secured asset
Operations	<ul style="list-style-type: none"> Smooth operations of banking for customers during lockdown by adhering to local rules and regulations Reviewed the operations policy in line with commercial banking requirements in preparation for transition to a SFB
Risk Management	<ul style="list-style-type: none"> Internal Capital Adequacy Assessment process document completed which will act as an input in bank's decision-making process Risk and control self-assessment (RCSA) Exercise initiated in various units, viz. operational and support departments at Head Office, Branches and Asset centres to assess the inherent risks in products/processes, extant controls and Residual risk if any for putting in place the required action plans Started Reputational Risk Scorecard and Strategic Risk Scorecard to map these risk on a quarterly basis Initiated the review of Credit Risk and Operational risk policies Initiated the process of putting in place a system to collect operational risk loss data in consonance with the Standardized Approach of Basel III
Treasury	<ul style="list-style-type: none"> Started presenting Weekly Report on Domestic and International market and summarizing Global weekly highlights of important events held during the week to investment committee members Streamlined the investment portfolio management process of the bank with respect to prudential as well regulatory limits monitoring
Credit	<ul style="list-style-type: none"> Implemented the regulatory changes in respect of moratorium, interest on interest reversal and NPA marking amongst others Reviewed the credit policy in line with commercial banking requirements in preparation for transition to a SFB Created a pricing framework under EBLR which would be implemented from FY 2021-22 in line with RBI guidelines for commercial banks

COMMITTEES OF THE BOARD

The Bank has the following Board level Committees which have been established in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

1. Audit Committee
2. Nomination and Human Resource Committee
3. Special Large Fraud Monitoring Committee
4. Board Loan and Share Committee

The details with respect to the composition, terms of reference, number of meetings held, etc. of these Committees are given in the report on Corporate Governance which forms part of the Annual Report.

NUMBER OF MEETINGS OF THE BOARD AND COMMITTEES

Regular meetings of the Board and its Committees are held to discuss and decide on various business policies, strategies,

financial matters and other businesses. The schedule of the Board/ Committee meetings to be held in the forthcoming financial year is circulated to the Directors in advance to enable them to plan their schedule for effective participation in the meetings. Due to business exigencies, the Board has also been approving several proposals by circulation from time to time.

The Board met eight times viz. on April 30, 2020; May 29, 2020; July 22, 2020; September 21, 2020; December 10, 2020; February 07, 2021 (twice) and March 30, 2021.

Additionally, several Committee meetings were held during the year including Audit Committee, Nomination and Human Resource Committee, Special Large Fraud Monitoring Committee and Board Loan and Share Committee which met five (5), Three (3), one (1) and thirty three (33) times respectively during the year. Detailed information on the meetings of the Board and its Committees are included in the Report on Corporate Governance, which forms part of the Annual Report.

STATUTORY AUDITOR

During the financial year under review, the members of the Bank at its 24th Annual General Meeting held on 28th September 2021 have approved appointment of M/s MRS & Co., Chartered Accountants as Statutory Auditor of the Bank from conclusion of 24th Annual General Meeting till conclusion of 25th Annual General meeting of SMCB in accordance with the provisions of RBI Guidelines and Section 70 of the Multi State Co-Operative Societies Act, 2002 & Clause 63 of the bye-laws of the Bank.

The Report given by Statutory Auditors on the financial statements of the Bank forms part of this Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report. Also, no instance of fraud was reported by the Auditors of the Bank as on 31st March 2021.

WHISTLE BLOWER POLICY / VIGILANCE MECHANISM

Strong Corporate Governance is an integral pillar of the way Shivalik conducts business. The Bank has adopted an internal Code of Ethics & Business Conduct, which lays down the principles and standards that govern the actions of the Bank and its employees. Any actual or potential violation of the Code, howsoever insignificant or perceived as such, would be a matter of serious concern for the Bank. The role of employees in pointing out such violations of the Code cannot be undermined.

The Bank is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. To maintain these standards, the Bank encourages its employees who have concerns about suspected misconduct to come forward and express these concerns without fear of punishment or unfair treatment in line with the stated Whistle Blower Policy.

During financial year under review, the Bank has not received any complaints in respect of the aforesaid.

RELATED PARTY TRANSACTION

There were no materially significant transactions with related parties including promoters, directors, or relatives of the Directors during the financial year under review which could lead to a potential conflict with the interest between the Bank and these parties. The details of the transactions with related parties, if any, were duly placed before the Audit Committee of the Board from

time to time. There were no material individual transactions with related parties, which were not in the ordinary course of business of the Bank, nor were there any transactions with related parties, which were not on arm's length basis. Suitable disclosure as required by the Accounting Standards (AS18) has been made in the notes to the Financial Statements. The Board of Directors has formulated a policy on materiality of Related Party Transactions.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Bank has formulated and adopted a Policy on Prevention of Sexual Harassment at Workplace and takes all necessary measures to ensure a harassment-free workplace and has instituted an Internal Complaints Committee for redressal of complaints. The Bank believes that all employees of the Bank including regular trainees and those employed on contractual basis at workplace including other individuals who are dealing with the Bank have a right to be treated with dignity.

During financial year under review, the Bank has not received any complaints in view of the aforesaid.

ACKNOWLEDGMENT

The Board of Directors would like to express their sincere gratitude to the members and customers of the Bank for their confidence and patronage, as well as to the Reserve Bank of India and other regulatory authorities for their cooperation, support and guidance. In addition, we express strong appreciation for the commitment shown by the employees in supporting the Bank in its journey to becoming a Small Finance Bank i.e a Scheduled Commercial Bank.

For and on behalf of the Board of Directors

Date: September 09, 2021
Place: Saharanpur

Sd/-
(Suveer Kumar Gupta)
MD & CEO

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is essentially a set of standards, systems, and procedures aimed at effective, honest and transparent management of a Bank within the applicable statutory and regulatory structures. The Corporate Governance framework at Shivalik Mercantile Co-operative Bank Limited (hereinafter referred as "Shivalik Bank") takes into account the relevant statutory provisions of the Banking Regulations Act, 1949 (AACS), Multi State Co-operative Societies Act, 2002 and Reserve Bank of India (RBI) directives and guidelines issued from time to time.

Shivalik Bank considers corporate governance as a cornerstone of conducting business in an ethical and responsible manner which is fair to all the stakeholder groups. The following principles are embedded in our governance framework:

- Strategic and critical review of the past, current and future performance of Shivalik Bank by the Board of Directors and its sub-committees.
- Transparent approach to decision making by Executive Management and Board.
- A sound system of internal controls to mitigate and monitor internal and external risks.
- Accuracy and transparency in disclosures to all stakeholders for all material information.
- Compliance of laws, rules and regulations in true letter and spirit.

2. BOARD OF DIRECTORS

2.1 Composition

The Bank is managed by the Board of Directors, which formulates strategies, policies and reviews its performance periodically. The composition and election of the Board of Shivalik Bank is governed by the Multi-State Co-operative

Societies Act, 2002 and the Byelaws of the Bank. As per the Byelaws of the Bank, the maximum strength of the Board of Directors shall be twelve directors including two Co-opted directors. The Board of Directors are elected by the members of the Bank and tenure of Board of Directors is five years from the date of their appointment. The tenure of the Board of Directors for the year 2016 to 2021 ended in the month of February 2021 and election to the Board of Directors for the year 2021-2026 was held on February 07, 2021 under the supervision of Mr. Rajesh Kumar Singh, who has been appointed as a Returning Officer to conduct the election. As on March 31, 2021, the Board of Directors comprised 10 members in addition to MD & CEO of the Bank.

The Board includes eminent persons including people with backgrounds in Accountancy, Audit, Medicine, Law, Taxation and Banking. The MD & CEO is the ex-officio member of all the Committees of the Board.

Responsibility for day-to-day management of the Bank is entrusted with senior management personnel under the leadership of MD & CEO who operates under the guidance and control of the Board. The Board is responsible for reviewing the performance of the bank including steps taken by senior management and approving future strategic vision with the aim of enhancing stakeholder value

2.2 Chairman of the Board

The Board of Directors unanimously elected Mr. Shiv P Gulati and Mr. Yashvir Kumar Gupta as the Chairman & Vice-Chairman respectively of the Board on February 07, 2021.

Mr. Shiv P Gulati, a graduate in Art, is the Chairman of the Board and founder member of Shivalik Bank and has been at the helm of Shivalik Bank since 1998 turning what was then a small start-up bank into close to a ₹ 2000 Crore business with a presence in three states having 31 branches currently. He has a rich experience of close to five decades in the field

of trade, business & industries and in the banking sector. He is well known for his exemplary social services. He held numerous social posts, such as in Lions Club, member of Consumer forum and member of Lok Adalat, Saharanpur, member of Khemka Seva Sadan, President of Small-Scale Industries Association, Saharanpur, Honorary Secretary, Saharanpur Club.

2.3 Roles & Responsibilities of Board of Directors

The primary responsibility for good corporate governance of the Bank rests with its Board of Directors. The Board has been entrusted by the shareholders with the responsibility of overall direction, supervision and control of the Bank. The Board's fiduciary responsibility to the shareholders requires that the Board should act in their shared corporate interest, in good faith, and with due diligence. At the same time, the Board should recognise and take into account the interests of other stakeholders in the Bank, such as depositors, other creditors, employees, the government, and the community in which it functions.

In addition to the Multi State Co-operative Societies Act, 2002 read with MSCS Rules, 2002 and Byelaws of the Bank, Master Circular on Board of Directors for Urban Co-operative Banks (UCBs) issued by Reserve Bank of India is also applicable to the Board of Directors of the Bank mutatis mutandis.

2.4 Board Meetings

During financial year 2020-21, The Board met eight times viz. on April 30, 2020; May 29, 2020; July 22, 2020; September 21, 2020; December 10, 2020; February 07, 2021 (twice) and March 30, 2021.

- The Bank being a Multi-State Co-operative Society, all Directors are elected by members of the Bank in General Meeting amongst themselves except co-opted Directors.
- Except Mr. Yashvir Kumar Gupta, Vice-chairman, Dr. Sanjeev Kumar Mittal, Director and Mr. Suveer Kumar Gupta, MD & CEO of the Bank, no other Directors are related to each other.

3. BOARD COMMITTEES

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Bank. These Committees monitor the activities as per the scope defined in their Charter and terms of reference. Detail regarding the same are hereunder:

3.1 Audit Committee

Brief Terms of Reference / Roles and responsibilities	<ol style="list-style-type: none"> To provide direction and oversee operation of Audit function of the Bank. To oversee Bank's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible. To review internal and concurrent audit system of the Bank with special emphasis on its quality and effectiveness and status of compliance. To recommend appointment & removal of external/Internal auditors. To review related party transaction.
Composition	<p>The Committee is headed by Mr. Shiv P Gulati, Chairman of the Bank. All members of the Committee have requisite financial and management experience including a Chartered Accountant. Chief Risk Officer and Audit Controller of the Bank are permanent invitees. Other members of management and representatives of statutory auditors are also invited to attend and participate in the meetings, whenever required. Members of Audit Committee of the Bank during financial year under review are::</p> <ol style="list-style-type: none"> Mr. Shiv P Gulati, Chairman Mr. Yashvir Kumar Gupta, Member Mr. Vijay Kumar Dhingra, Member Mr. Sarvesh Singhal, Member Mr. Suveer Kumar Gupta, Member
Meetings	During financial year under review, five (5) meetings of Audit Committee of Board were held.

3.2 Board Loan & Share Committee

Brief Terms of Reference / Roles and responsibilities	<ol style="list-style-type: none"> To ensure the compliance of Loan Policy approved by the Board; To consider, approve and sanction all the loan proposals; To form different committees of bank functionaries and delegate loan sanctioning powers to them; To consider and approve the waiver and settlement cases of all kind; To approve applications for new membership (Regular and Nominal) for both borrowers and non-borrowers; To allot shares to new as well as existing members; To approve share refunds and transfers.
Composition	<p>Members of Board Loan and Share Committee of the Board during financial year under review are:</p> <ol style="list-style-type: none"> Mr. Shiv Puran Gulati, Chairman Mr. Yashvir Kumar Gupta, Vice-Chairman Mr. Sarvesh Singhal, Member Mr. Suveer Kumar Gupta, Member <p>Credit Head of the Bank is Permanent Invitee to the Committee.</p>
Meetings	During financial year under review Thirty-three (33) meetings of Board Loan and Share Committee of Board were held.

3.3 Special committee of the Board for monitoring Large Value frauds

Brief Terms of Reference / Roles and responsibilities	To monitor large value fraud cases with a direct financial impact of ₹ 1 Crore and above including detection procedures, reporting to regulatory and enforcement agencies and action against the perpetrators of the frauds at the highest level.
Composition	<p>Members of the Committee during financial year under review are:</p> <ol style="list-style-type: none"> Mr. Shiv P Gulati, Chairman Mr. Yashvir Kumar Gupta, Vice-Chairman Mr. Sudhakar Agarwal, Member Mr. Vijay Kumar Dhingra, Member Mr. Sarvesh Singhal, Member Mr. Suveer Kumar Gupta, Member
Meetings	During financial year under review one (1) meeting of Special committee of the Board for monitoring Large Value frauds was held.

3.4 Nomination & Human Resource Committee

Brief Terms of Reference / Roles and responsibilities	To look into the matter of policies related to Human Resource Development. The terms of reference include consideration of all issues/areas concerning Human Resource Planning & Management, all HR Policies and initiatives.
Composition	<p>Members of Nomination & Human Resource Committee of the Board during financial year under review are:</p> <ol style="list-style-type: none"> Mr. Shiv P Gulati, Chairman Mr. Yashvir Kumar Gupta, Vice-Chairman Mr. Sarvesh Singhal, Member Mr. Suveer Kumar Gupta, Member <p>Chief Operating Officer and Chief Human Resources Officer are Permanent Invitees of this Committee</p>
Meetings	During financial year under review three (3) meetings of Nomination & Human Resource Committee were held.

4. OTHER FUNCTIONAL COMMITTEES OF THE BANK

Apart from the above, the Board has delegated its power to MD & CEO of the Bank to constitute such Functional Committees with specific terms of reference as it may deem fit from time to time. These include the following:

- Executive Committee
- Asset Liability Committee
- Investment Committee
- KYC & AML Committee
- Purchase and Expenditure Committee
- IT Vision Committee
- Risk Management Committee

Details regarding members along with their designation, frequency of meeting, No. of meetings held during financial year under review are presented hereunder::

Sr. No.	Name of Executive Committee	Name of the members along with Designation	Frequency of their meeting	No. of Meetings held during FY 2020-21
1.	Executive Committee	MD & CEO, Chairman CFO COO CRO	Monthly or as and when required	Eighteen (18)
2.	Asset Liability Committee	MD & CEO, Chairman COO, Member CFO, Member CRO, Member Head - Operations, Member Head - Finance, Member Head - Credit, Member Head - Compliance, Member Head - IT, Member Head - Investments, Member	Monthly or as and when required	Fifteen (15)
3.	Investment Committee	MD & CEO, Chairman COO, Member CFO, Member CRO, Member Head - Compliance, Member Head - Treasury, Member Manager - Treasury, Member	Monthly or as and when required	Eleven (11)
4.	KYC & AML Committee	MD & CEO, Chairman CFO, Member, COO, Member CRO, Member Head - Compliance, Member Head - Operations, Member Head - IT, Member	Quarterly or as and when required	Four (4)

Sr. No.	Name of Executive Committee	Name of the members along with Designation	Frequency of their meeting	No. of Meetings held during FY 2020-21
5	Purchase and Expenditure Committee	MD & CEO, Chairman COO, Member CRO, Member Head - Finance, Member Head - IT, Member Head - Admin, Member	As and when required	Thirty-one (31)
6	IT Vision Committee	MD & CEO, Chairman CFO, Member COO, Member CRO, Member Head - IT, Member	Quarterly or as and when required	Four (4)
7	Risk Management Committee	MD & CEO, Chairman CRO, Member CFO, Member COO, Member Head – Operations, Member Head – Recovery, Member Head – HR, Member Head – Credit, Member Head – Compliance, Member Head – IT, Member Head – Legal, Member Head – Audit, Member	Monthly or as and when required	Eleven (11)

5. GENERAL BODY MEETINGS OF THE BANK

Details regarding meeting of General Body of the Bank held during last three (3) financial year are hereunder:

Year	Particulars of Meeting	Date, Time & Place	Number of Special Resolutions passed, if any	Nature of Special Resolutions
2018-19	21st Annual General Meeting	Date: September 16, 2018 Time: 11:00 am Place: Hotel Royal Residency, Ambala Road, Saharanpur, UP	One (1)	i. Amendments to Byelaws of the Bank
	Special General Meeting	Date: October 23, 2018 Time: 11:00 am Place: Hotel Clark International, Ambedkar Chowk, Dehradun Road, Saharanpur, UP	Three (3)	i. Approval for transition to Small Finance Bank (SFB) under guidelines of Reserve Bank of India ii. Identification and approval of proposed promoters of SFB. iii. Approval for obtaining NOC from Central Registrar of Co-operative Societies

Year	Particulars of Meeting	Date, Time & Place	Number of Special Resolutions passed, if any	Nature of Special Resolutions
2019-20	22nd Annual General Meeting	Date: September 15, 2019 Time: 11:00 am Place: Hotel Royal Residency, Ambala Road, Saharanpur, UP	Nil	Nil
	Special General Meeting	Date: March 15, 2020 Time: 11:00 am Place: Hotel Royal Residency, Ambala Road, Saharanpur, UP	Five (5)	i. Amendments to two (2) clauses of Byelaws of the Bank. ii. Approval for transfer of Contingency Reserve to Bad and Doubtful Debt Reserve iii. Approval for delegation of authority for all things necessary for execution of the voluntary transition to SFB iv. Approval for transfer of shareholders of the Bank to Public Limited Banking Company 'Shivalik Small Finance Bank Limited'
2020-21	23rd Annual General Meeting	Date: 13th August 2020 Time: 11:00 am Place: Hotel Royal Residency, Ambala Road, Saharanpur, UP	Eight (8)	i. Amendments to Byelaws of the Bank ii. Approval for surrender of the Urban Co-operative Banks license to RBI for cancellation iii. Approval for voluntarily winding-up of the Co-operative Society. iv. Approval of process for members willing to continue membership during the voluntary winding-up proceedings and deemed resignation and withdrawal of other members.

6. DIRECTORS' REMUNERATION

Shivalik Bank being a Co-operative Bank does not remunerate its Directors. However, expenses related to travelling and lodging are borne by the Bank for attending Board/Committee meetings. MD & CEO is employee of the bank and for rendering his services to the bank, the remuneration paid during FY ending March 31, 2021 was ₹ 35,60,738.

7. RELATED PARTY TRANSACTION

There were no materially significant transactions with related parties including promoters, directors, or relatives of the Directors during the financial year under review which could lead to a potential conflict with the interest between the Bank

and these parties. The details of the transactions with related parties, if any, were duly placed before the Audit Committee of the Board from time to time. There were no material individual transactions with related parties, which were not in the ordinary course of business of the Bank, nor were there any transactions with related parties, which were not on arm's length basis. Suitable disclosure as required by the Accounting Standards (AS18) has been made in the notes to the Financial Statements. The Board of Directors has formulated a policy on materiality of Related Party Transactions

8. WHISTLE BLOWER POLICY / VIGIL MECHANISM

Strong Corporate Governance is an integral pillar of the way

Shivalik conducts business. The Bank has adopted an internal Code of Ethics & Business Conduct, which lays down the principles and standards that govern the actions of the Bank and its employees. Any actual or potential violation of the Code, howsoever insignificant or perceived as such, would be a matter of serious concern for the Bank. The role of employees in pointing out such violations of the Code cannot be undermined.

The Bank is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. To maintain these standards, the Bank encourages its employees who have concerns about suspected misconduct to come forward and express these concerns without fear of punishment or unfair treatment in line with the stated Whistle Blower Policy.

During financial year under review, the Bank has not received any complaints in respect of the aforesaid.

9. CODE OF CONDUCT

The Board has adopted the Code of Conduct & Ethics for all the Employees of the Bank. Code of Conduct and Ethics is a

statement of the Bank's commitment to integrity and the highest standards of ethical practices. It defines the standards of conduct that is expected from all employees in order that the right decisions are taken in performing roles and responsibilities across various functions in the Bank. The Code is intended to be the charter for day-to-day work to enable employees to make the right decisions and, therefore, serves to:

- i. underline the fundamental commitment to compliance with regulatory guidelines and laws of the land.
- ii. set forth basic parameters of ethical behavior.
- iii. establish a system for detection and reporting of known or suspected ethical or violations of regulation

For and on behalf of the Board of Directors

Sd/-

(Suveer Kumar Gupta)

MD & CEO

Date: September 09, 2021

Place: Saharanpur

FINANCIAL SECTION

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Independent Auditor's Report

To the Members,
Shivalik Mercantile Co-operative Bank Ltd.
Saharanpur.

Report on the Audit of the Financial Statements Opinion

1. We have audited the accompanying financial statements of Shivalik Mercantile Co-operative Bank Ltd (PAN- AAAAS3251Q) having Registered office at, Ansari road, Saharanpur -247001, which comprise the Balance Sheet as at 31 March 2021, and the Profit and Loss Account, and the Cash Flow Statement for the year then ended as on date, and a summary of significant accounting policies, disclosures and notes on accounts. Out of 31 Branches, the returns of Head Office and its departments and [8] branches audited by us (as per clause 6 of this report) and rest of [23] Branches not audited by us but verified by us from centralised records maintained by Head Office, are incorporated in these financial statements. All the Branches are covered under Concurrent/ Internal Audit department of the Bank. The branches and other departments audited by us accounts for [42.42%] percentage of Advances, [48.09%] percentage of deposits, [39.65%] percentage of Interest Income and [50.19%]percentage of Interest Expenses.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the Notes thereon give the information required by the Banking Regulation Act, 1949, the Multi State Co-operative Societies Act, 2002 and the Multi State Co-operative Societies Rules, 2002 and the guidelines issued by the National Bank for Agricultural and Rural Development (as applicable) and guidelines issued by Reserve Bank of India and the Central Registrar of Cooperative Societies, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of state of affairs of the Bank as at 31st March 2021;
 - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. 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 ethical requirements that are relevant to our audit of the financial statements, in India 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.

Management's Responsibility for the Financial Statements

4. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of the Banking Regulations Act, 1949, the guidelines issued by the Reserve Bank of India and the guidelines issued by the National Bank for Agricultural and Rural Development, the Central Registrar of Cooperative Societies, the Multi State Co-operative Societies Act, 2002, the Multi State Co-operative Societies Rules, 2002 (as applicable) and accounting principles generally accepted in India so far as applicable to Banks. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

5. 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.
- To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- 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 Standalone 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.

Other Matters

6. In view of the Government imposed lockdown due to Covid-19, we have not been able to examine the original books of account and supporting documents including but not limited to the documents relating to advances, cash, security etc. The management has provided us with the scanned copies of the relevant documents for the purpose our audit which we asked for on test check basis.

Our opinion is not modified in respect of this matter..

Report on Other Legal & Regulatory Requirements

7. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949 and the Multi State Co-operative Societies Act, 2002, the Multi State Co-operative Societies Rules, 2002.

8. As required by Section 73(4) of the Multi State Co-operative Societies Act, 2002, 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 to be satisfactory;
 - 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 and proper returns adequate for the purposes of our audit have been received from the branches/offices;
 - c) The transactions of the Bank which came to our notice have been within the powers of the bank;
 - d) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;
 - e) The reports on the accounts of the branches/offices audited by the branch auditors have been forwarded to us and have been properly dealt with by us in preparing this Report – Not applicable in our case as the Bank has not appointed any separate Statutory Auditor for Branch Audits. We have reviewed the accounts of all branches as well as Head office.
 - f) The accounting standards adopted by the Bank are consistent with those laid down by accounting principles generally accepted in India so far as applicable to Banks;
 - g) In our opinion and according to information and explanations given to us, we have not noticed any material impropriety or irregularity in the expenditure or in the realization of money due to the bank.
9. As per the information and explanations given to us and based on our examination of the books of account and other records, we have not come across material instances which need to be reported under Rule 27(3) of the Multi State Cooperative Societies Rules, 2002.

Audit Memorandum - NIL

For MRS & CO .
Chartered Accountants
Firm Registration Number:- 016610N

Sd/-
CA Ram Kumar Dhiman
Partner

Place: Ghaziabad
Date –24th April 2021

Membership No. 096852
UDIN: 21096852AAAAAQ1434

Standalone Balance Sheet as at 31 March, 2021

(Amount in ₹)

Particulars	SCHEDULE	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
CAPITAL & LIABILITIES			
(1) CAPITAL	1	72,34,74,600.00	61,61,41,100.00
(2) RESERVE FUND & OTHER RESERVES	2	17,92,23,168.00	17,08,00,900.50
(3) DEPOSITS & OTHER ACCOUNTS	3	12,44,45,58,304.67	11,39,81,64,312.79
(4) BORROWINGS	-	7,69,00,000.00	7,69,00,000.00
(5) BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA	-	-	-
(6) BRANCH ADJUSTMENTS	-	-	-
(7) OVERDUE INTEREST RESERVES (ON NPA)	-	13,67,40,019.39	8,71,35,982.05
(8) INTEREST PAYABLE (ON TERM DEPOSITS)	-	66,11,280.69	-
(9) OTHER LIABILITIES & PROVISIONS	4	30,36,17,109.27	18,13,15,916.41
(10) PROFIT & LOSS	5	4,31,69,525.81	2,22,15,901.41
GRAND TOTAL		13,91,42,94,007.83	12,55,26,74,113.16
CONTINGENT LIABILITIES	12	2,17,56,217.00	2,53,91,139.00
PROPERTY & ASSETS			
(1) CASH IN HAND & BALANCE WITH RBI	-	33,07,16,533.81	24,63,02,376.90
(2) BALANCES WITH OTHER BANKS	6	1,81,02,25,785.24	1,67,71,94,512.17
(3) MONEY AT CALL & SHORT NOTICE	-	19,00,00,000.00	12,00,00,000.00
(4) INVESTMENTS	7	2,78,80,64,328.00	2,62,81,66,305.00
(5) ADVANCES	8	8,04,86,37,918.93	7,18,59,87,945.51
(6) INTEREST RECEIVABLE	9	28,15,59,484.39	20,71,55,129.68
OF WHICH OVERDUE (ON NPA)		13,67,40,019.39	8,71,35,982.05
(7) BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA	-	-	-
(8) FIXED ASSETS LESS DEPRECIATION	10	30,58,03,929.70	31,97,17,472.76
(9) OTHER ASSETS	11	15,92,86,027.76	16,81,50,371.14
GRAND TOTAL		13,91,42,94,007.83	12,55,26,74,113.16

As per our report of even date attached

For M R S & Co.
Chartered Accountants
(Firm Regn. No. 016610N)

Sd/-
Suveer Kumar Gupta
MD & CEO

Sd/-
Sarvesh Singhal
Director

Sd/-
CA Ram Kumar Dhiman
Partner (M. No. 096852)

Sd/-
Sudhakar Agarwal
Director

Sd/-
Yashvir Kumar Gupta
Vice Chairman

Sd/-
Shiv Puran Gulati
Chairman

Saharanpur: 24 April, 2021

Profit and Loss Account for the year ended 31 March, 2021

(Amount in ₹)

Particulars	Notes	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
EXPENDITURE			
(1) INTEREST ON DEPOSITS, BORROWINGS ETC.			
i) INTEREST ON DEPOSITS		70,09,06,349.63	70,92,00,278.96
ii) INTEREST ON BORROWINGS		77,39,044.55	82,79,639.23
	TOTAL	70,86,45,394.18	71,74,79,918.19
(2) SALARIES, ALLOWANCES, PROVIDENT FUND, BONUS & GRATUITY ETC.		23,52,93,303.45	25,52,83,725.34
(3) RENT, TAXES, INSURANCE, LIGHTING ETC.			
i) BUILDING RENT		4,23,38,092.49	4,38,51,388.88
ii) TAXES		3,81,361.89	4,12,808.00
iii) INSURANCE		2,16,64,071.19	1,69,62,628.57
iv) LIGHTING		1,10,02,198.31	1,22,55,687.12
	TOTAL	7,53,85,723.88	7,34,82,512.57
(4) LAW CHARGES		28,69,618.06	35,53,511.03
(5) POSTAGE AND TELEPHONE CHARGES			
i) POSTAGE		10,05,183.87	12,51,264.85
ii) TELEPHONE		4,34,133.78	4,73,299.66
iii) COMPUTER NETWORKING, CONNECTIVITY & HOSTAGE		3,62,49,449.55	2,84,89,277.05
	TOTAL	3,76,88,767.20	3,02,13,841.56
(6) AUDIT & CONSULTANCY FEES		7,77,37,151.47	5,11,00,231.44
(7) DEPRECIATION AND REPAIRS			
i) DEPRECIATION		6,04,81,184.00	5,85,42,095.37
ii) WRITTEN OFF/ IMPAIRED ASSETS		-	6,76,242.65
iii) REPAIRS		1,87,32,233.82	1,65,56,292.17
	TOTAL	7,92,13,417.82	7,57,74,630.19
(8) STATIONERY, PRINTING AND ADVERTISEMENT			
i) PRINTING & STATIONERY		32,73,684.13	48,23,779.47
ii) ADVERTISEMENT		51,47,232.22	28,83,104.34
	TOTAL	84,20,916.35	77,06,883.81
(9) OTHER EXPENDITURE			
i) SUBSCRIPTION		1,12,59,043.84	1,10,66,609.33
ii) AGM & CONFERENCE		52,490.00	6,07,325.40
iii) SECURITY		90,79,618.50	92,22,925.16
iv) BUSINESS PROMOTION		8,16,326.50	9,25,453.40
v) STAFF WELFARE		15,62,157.75	56,16,926.79
vi) TRAVEL & TRANSPORT		59,65,384.06	1,23,76,289.47
vii) COMMISSION ON DAILY DEPOSIT/DSA		2,74,010.87	19,66,523.07
viii) BANKING CORRESPONDENT EXPENDITURE		3,88,922.60	7,24,346.53
ix) CHARGES PAID TO OTHER BANKS & NPCI		30,50,234.59	19,78,403.74
x) AMORTIZATION ON INVESTMENTS		34,83,559.00	41,10,691.00
xi) INTEREST ON INCOME TAX		-	-
xii) PROVISION ON STANDARD ASSETS		38,00,000.00	-
xiii) MISCELLANEOUS EXPENSES		12,77,224.43	22,22,604.59
	TOTAL	4,10,08,972.14	5,08,18,098.48

Profit and Loss Account for the year ended 31 March, 2020

(Amount in ₹)

Particulars	Notes	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
(10) LOSS FROM SALE OF NON-BANKING ASSETS		1,99,296.80	38,07,184.14
(11) PROVISIONS FOR CURRENT YEAR			
i) PROVISION FOR BAD & DOUBTFUL DEBTS (NPA)		3,54,00,000.00	1,13,78,316.00
ii) SPECIAL RESERVE U/S 36(1)(viii) OF INCOME TAX ACT		-	(1,18,78,316.00)
iii) PROVISION FOR CURRENT INCOME TAX		2,10,62,845.00	1,10,03,219.00
iv) PROVISION FOR DEFERRED TAX		(22,83,732.00)	(14,18,605.00)
v) PROVISION FOR IDR		16,14,100.00	-
	TOTAL	5,57,93,213.00	90,84,614.00
(12) PRIOR PERIOD ADJUSTMENTS			
i) PRIOR PERIOD EXPENSES		(4,77,561.00)	(7,82,444.10)
	TOTAL	(4,77,561.00)	(7,82,444.10)
(13) BALANCE OF PROFIT		3,30,52,537.40	2,25,30,726.17
GRAND TOTAL		1,35,48,30,750.75	1,30,00,53,432.82
EXPLANATORY NOTE:			
CONTINGENT PROV. AGAINST DEPRECIATION IN INVESTMENTS		73,00,000.00	-
INCOME			
(1) INTEREST & DISCOUNT			
i) INTEREST ON LOANS & ADVANCES		86,90,36,595.66	86,71,28,911.27
ii) INTEREST ON INVESTMENTS		32,98,62,135.14	30,35,86,346.05
iii) INCOME ON INVESTMENT IN MUTUAL FUNDS		14,60,317.51	23,70,149.42
	TOTAL	1,20,03,59,048.31	1,17,30,85,406.74
(2) COMMISSION, EXCHANGE & BROKERAGE		8,17,443.74	48,14,794.33
(3) PROFIT FROM SALE OF NON-BANKING ASSETS		87,717.00	2,72,610.03
(4) PROFIT ON SALE OF SECURITIES		6,29,44,244.00	2,20,47,066.00
(5) OTHER RECEIPTS			
i) LOAN PROCESSING CHARGES		1,28,97,136.55	1,11,65,962.73
ii) INCIDENTAL CHARGES		2,94,98,234.70	3,21,30,280.44
iii) LOCKER RENT		40,43,281.20	21,83,828.14
iv) BAD DEBTS RECOVERED		12,58,096.80	2,62,913.34
v) COMMISSION FROM INSURANCE BUSINESS		1,74,14,317.00	1,45,16,206.00
vi) MISCELLANEOUS INCOME		2,55,11,231.45	3,95,74,365.07
	TOTAL	9,06,22,297.70	9,98,33,555.72
GRAND TOTAL		1,35,48,30,750.75	1,30,00,53,432.82
EXPLANATORY NOTE:			
TRANSFERRED FROM INVESTMENT FLUCTUATION RESERVE		73,00,000.00	-

As per our report of even date attached

For M R S & Co.
Chartered Accountants
(Firm Regn. No. 016610N)

Sd/-
Suveer Kumar Gupta
MD & CEO

Sd/-
Sarvesh Singhal
Director

Sd/-
CA Ram Kumar Dhiman
Partner (M. No. 096852)

Sd/-
Sudhakar Agarwal
Director

Sd/-
Yashvir Kumar Gupta
Vice Chairman

Sd/-
Shiv Puran Gulati
Chairman

Saharanpur: 24 April, 2021

Cash Flow Statement for the year ended 31 March, 2021

(Amt. in Lacs)

S.No.	Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
A	Cash Flow From Operating Activity		
	Net Profit after tax	330.53	225.31
	Add (Expense side items)		
	Depreciation	604.81	585.42
	Amortisation on Investment	34.84	41.11
	Provision for Income Tax	210.63	110.03
	Provision for Deferred Tax	(22.84)	(14.19)
	Provision for BDDR	354.00	113.78
	Provision on Standard Assets	38.00	-
	Reserve against Profit u/s 36	-	(118.78)
	Provisions & Contingencies (AFS/HFT)	16.14	79.06
	Loss from sale of Non-banking Assets	1.99	38.07
	Prior Period Adjustment	(4.78)	(7.82)
	826.68	1,232.80	(7.82)
	Less (Income side items)		
	Profit on Sale of Investments	(629.44)	(220.47)
	Profit on Sale of Non-banking Assets	(0.88)	(2.73)
	(223.20)	(630.32)	(2.73)
	Adjustment for change in Assets: (Increase)/Decrease		
	Loan & Advances	(8,626.50)	(336.36)
	Add: Loans written off during the year	-	(336.36)
	(336.36)	(8,626.50)	-
	Investments	(1,598.98)	(1,651.85)
	Balances in Fixed Deposits	(1,252.00)	(7,695.90)
	Add: Amortization on Investments	(34.84)	(41.11)
	(9,388.86)	(2,885.82)	(41.11)
	Income Tax Paid	(171.85)	(211.90)
	Add: Refund/ Interest on refund	253.39	(15.68)
	(227.58)	81.53	(15.68)
	Interest Receivable	(248.00)	(372.67)
	Other Assets	(93.82)	(15.11)
	(387.78)	(341.82)	(15.11)
	Adjustment for change in Liabilities: Increase/ (Decrease)		
	Deposit	10,463.94	8,861.68
	Borrowing	-	(13.00)
	Other Liabilities	703.72	55.56
	Interest Payable	66.11	(11.07)
	8,893.17	11,233.77	(11.07)
	Net Cash Generated from operations activity	394.17	(618.62)
B	Cash Flow from Investing Activity		
	Purchase of Fixed Assets	(465.68)	(565.84)
	Profit on sale of non banking assets	0.88	2.73
	Loss on Sale of Fixed Assets	(1.99)	(38.07)
	Profit on Sale of Investment	629.44	220.47
	(380.71)	162.65	220.47
	Net Cash Flow from Investing Activity	162.65	(380.71)

Cash Flow Statement for the year ended 31 March, 2021

(Amt. in Lacs)

S.No.	Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
C	Cash Flow from Financing Activity		
	Increase/(Decrease) in share capital	1,073.34	427.69
	Education Fund Paid	(2.25)	(3.85)
	Dividend paid (incl. dividend of past years)	(5.45)	(364.48)
	Net Cash Flow from Financing Activity	1,065.64	59.36
D	Net Increase/Decrease in Cash and Cash Equivalent	1,622.45	(939.98)
E	Cash and Cash Equivalent at the beginning of the yr	5,582.97	6,522.95
F	Cash and Cash Equivalent at the end of the year	7,205.42	5,582.97
	Break-up of Cash and Cash Equivalents	31.03.2021	31.03.2020
	Cash in hand and Balance with RBI	3,307.17	2,463.02
	Balance with Bank in Current Account	1,998.26	1,919.95
	Money at Call and Short Notice	1,900.00	1,200.00
	Total	7,205.42	5,582.97

As per our report of even date attached

For M R S & Co.
Chartered Accountants
(Firm Regn. No. 016610N)

Sd/-
Suveer Kumar Gupta
MD & CEO

Sd/-
Sarvesh Singhal
Director

Sd/-
CA Ram Kumar Dhiman
Partner (M. No. 096852)

Sd/-
Sudhakar Agarwal
Director

Sd/-
Yashvir Kumar Gupta
Vice Chairman

Sd/-
Shiv Puran Gulati
Chairman

Saharanpur: 24 April, 2021

Schedule to Balance Sheet as at 31 March, 2021

SCHEDULE 1: CAPITAL

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) AUTHORISED CAPITAL	1,00,00,00,000.00	1,00,00,00,000.00
1,00,00,000 shares of ₹100/= each		
ii) SUBSCRIBED CAPITAL	72,34,74,600.00	61,61,41,100.00
72,34,746 shares of ₹100/= each (Previous Year 61,61,411 Shares of ₹100/- each)		
iii) AMOUNT CALLED UP	72,34,74,600.00	61,61,41,100.00
On 72,34,746 shares at ₹100/= each Of (iii) above, held by		
(a) Individuals & Others	72,34,74,600.00	61,61,41,100.00
(b) Co-operative institutions	-	-
(c) Government	-	-

SCHEDULE 2: RESERVE FUND & OTHER RESERVES

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) STATUTORY RESERVE	14,45,99,914.00	13,37,29,827.50
ii) INVESTMENT FLUCTUATION RESERVE	27,00,000.00	1,00,00,000.00
iii) OTHER FUNDS AND RESERVES		
(a) PROVISION ON STANDARD ASSETS	2,86,18,000.00	2,48,18,000.00
(b) SPECIAL RESERVE U/S 36(1)(VIII) OF I.T. ACT	-	-
(c) CONTINGENCY RESERVE	33,05,254.00	22,53,073.00
TOTAL	3,19,23,254.00	2,70,71,073.00
GRAND TOTAL	17,92,23,168.00	17,08,00,900.50

SCHEDULE 3: DEPOSIT & OTHER ACCOUNTS

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) FIXED DEPOSITS		
a) INDIVIDUALS & OTHERS	8,55,62,09,129.63	8,20,50,88,369.48
b) CENTRAL CO-OPERATIVE BANKS	-	-
c) OTHER SOCIETIES	-	-
TOTAL	8,55,62,09,129.63	8,20,50,88,369.48
ii) SAVINGS BANK DEPOSIT		
a) INDIVIDUALS & OTHERS	3,19,31,12,522.41	2,62,68,26,814.13
b) CENTRAL CO-OPERATIVE BANKS	-	-
c) OTHER SOCIETIES	-	-
TOTAL	3,19,31,12,522.41	2,62,68,26,814.13
iii) CURRENT DEPOSITS		
a) INDIVIDUALS & OTHERS	69,52,36,652.63	56,62,49,129.18
b) CENTRAL CO-OPERATIVE BANKS	-	-
c) OTHER SOCIETIES	-	-
TOTAL	69,52,36,652.63	56,62,49,129.18
iv) MONEY AT CALL AND SHORT NOTICE	-	-
GRAND TOTAL	12,44,45,58,304.67	11,39,81,64,312.79

Schedule to Balance Sheet as at 31 March, 2021

SCHEDULE 4: OTHER LIABILITIES & PROVISIONS

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) BILLS PAYABLE (DDs/POs ISSUED BUT NOT YET PRESENTED FOR PAYMENT)	8,55,77,589.74	3,49,85,907.14
ii) UNCLAIMED DIVIDENDS	6,188.00	10,03,692.50
iii) SUNDRIES	5,36,82,574.17	3,07,79,481.90
iv) PROVISION FOR INCOME TAX	2,10,62,845.00	1,10,03,219.00
v) DEFERRED TAX LIABILITY	61,38,147.00	84,21,879.00
vi) TAX DEDUCTED AT SOURCE	83,99,730.58	1,16,06,843.09
viii) PROVISION FOR AUDIT FEES	4,56,750.00	3,81,500.00
ix) PROVISION FOR BAD & DOUBTFUL DEBTS (NPA)	12,63,48,659.78	8,11,95,586.78
x) PAID-UP CAPITAL (COLLECTION ACCOUNT) OF ERSTWHILE BHOJ NAGRIK SAHAKARI BANK LTD., DHAR, & ERSTWHILE MALWA BANK, INDORE	-	17,12,500.00
xi) CONTINGENT PROV. AGAINST DEPRECIATION IN INVESTMENTS (IDR)	16,14,100.00	-
xii) CO-OPERATIVE EDUCATION FUND	3,30,525.00	2,25,307.00
GRAND TOTAL	30,36,17,109.27	18,13,15,916.41

SCHEDULE 5: PROFIT & LOSS

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) PROFIT AS PER LAST BALANCE-SHEET	2,22,15,901.41	4,75,94,588.24
ii) LESS: APPROPRIATIONS OF PROFIT FOR LAST YEAR DIVIDEND TO SHAREHOLDERS	-	(3,67,07,864.00)
TOTAL	-	(3,67,07,864.00)
iii) ADJUSTMENTS FROM RETAINED PROFIT		
LESS: CURRENT YEAR ADJUSTMENT	(2,00,000.00)	-
LESS: PRIOR YEAR ADJUSTMENT	-	(30,90,487.00)
TOTAL	(2,00,000.00)	(30,90,487.00)
iv) ADD: PROFIT OF THE YEAR B/F FROM P&L A/C	3,30,52,537.40	2,25,30,726.17
LESS: PROPOSED APPROPRIATIONS		
STATUTORY RESERVE	(82,63,134.00)	(56,32,682.00)
CO-OPERATIVE EDUCATION FUND	(3,30,525.00)	(2,25,307.00)
CONTINGENCY RESERVE	(33,05,254.00)	(22,53,073.00)
TOTAL	2,11,53,624.40	1,44,19,664.17
GRAND TOTAL	4,31,69,525.81	2,22,15,901.41

Schedule to Balance Sheet as at 31 March, 2021

SCHEDULE 6: BALANCES WITH OTHER BANKS

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) CURRENT DEPOSITS		
a) DISTRICT CO-OPERATIVE BANK LTD	94,85,657.54	7,60,78,086.24
b) SBI & SUBSIDIARY BANKS	6,24,07,403.56	3,46,85,782.28
c) OTHER PUBLIC SECTOR BANKS	12,78,13,917.43	6,65,88,345.28
d) OTHER SCHEDULED BANKS	1,18,806.71	1,46,42,298.37
TOTAL	19,98,25,785.24	19,19,94,512.17
ii) SAVINGS BANK DEPOSITS	-	-
iii) FIXED DEPOSITS		
a) DISTRICT CO-OPERATIVE BANK LTD.	-	-
b) SBI & SUBSIDIARY BANKS	-	-
c) OTHER PUBLIC SECTOR & SCHEDULED BANKS	1,61,04,00,000.00	1,48,52,00,000.00
TOTAL	1,61,04,00,000.00	1,48,52,00,000.00
GRAND TOTAL	1,81,02,25,785.24	1,67,71,94,512.17

SCHEDULE 7: INVESTMENTS

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) IN CENTRAL & STATE GOVERNMENT SECURITIES	2,78,55,92,328.00	2,62,56,94,305.00
MARKET VALUE:	2,81,39,25,951.00	2,71,32,94,811.00
FACE VALUE:	2,75,73,70,000.00	2,60,73,70,000.00
ii) OTHER TRUSTEE SECURITIES	-	-
iii) SHARES IN CO-OPERATIVE INSTITUTIONS	-	-
iv) OTHER INVESTMENTS	24,72,000.00	24,72,000.00
GRAND TOTAL	2,78,80,64,328.00	2,62,81,66,305.00

Schedule to Balance Sheet as at 31 March, 2021

SCHEDULE 8: ADVANCES

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) SHORT TERM LOANS, CASH CREDITS OVERDRAFTS AND BILLS DISCOUNTED	3,13,97,59,521.41	2,67,85,68,194.19
• OF WHICH SECURED AGAINST:		
a) GOVT. & OTHER APPROVED SECURITIES	-	-
b) OTHER TANGIBLE SECURITIES	3,13,97,59,521.41	2,67,85,68,194.19
• OF THE ADVANCES, AMT. DUE FROM INDIVIDUALS	3,13,97,59,521.41	2,67,85,68,194.19
• OF THE ADVANCES, AMOUNT OVERDUE	14,40,15,913.30	9,04,81,229.39
• CONSIDERED BAD & DOUBTFUL OF RECOVERY (FULLY PROVIDED FOR)	12,03,41,338.82	3,19,09,743.10
ii) MEDIUM TERM LOANS	18,95,41,576.85	22,09,46,303.83
• OF WHICH SECURED AGAINST:		
a) GOVT. & OTHER APPROVED SECURITIES	-	-
b) OTHER TANGIBLE SECURITIES	18,95,41,576.85	22,09,46,303.83
• OF THE ADVANCES, AMT. DUE FROM INDIVIDUALS	18,95,41,576.85	22,09,46,303.83
• OF THE ADVANCES, AMOUNT OVERDUE	3,35,28,438.58	3,36,45,705.68
• CONSIDERED BAD & DOUBTFUL OF RECOVERY (FULLY PROVIDED FOR)	1,82,55,937.62	32,52,917.09
iii) LONG TERM LOANS	4,71,93,36,820.67	4,28,64,73,447.49
• OF WHICH SECURED AGAINST:		
a) GOVT. & OTHER APPROVED SECURITIES	-	-
b) OTHER TANGIBLE SECURITIES	4,71,93,36,820.67	4,28,64,73,447.49
• OF THE ADVANCES, AMT. DUE FROM INDIVIDUALS	4,71,93,36,820.67	4,28,64,73,447.49
• OF THE ADVANCES, AMOUNT OVERDUE	10,64,15,268.14	8,23,01,978.01
• CONSIDERED BAD & DOUBTFUL OF RECOVERY (FULLY PROVIDED FOR)	17,90,10,684.03	78,15,444.20
GRAND TOTAL	8,04,86,37,918.93	7,18,59,87,945.51

SCHEDULE 9: INTEREST RECEIVABLE

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) INTEREST RECEIVABLE ON INVESTMENTS (ACCRUED)		
a) GOVERNMENT SECURITIES	3,45,62,586.00	3,93,44,816.33
b) BANK FDRs	11,02,39,441.00	8,06,42,769.30
c) OTHER INVESTMENTS	17,438.00	31,562.00
TOTAL	14,48,19,465.00	12,00,19,147.63
ii) INTEREST RECEIVABLE ON NPA (OVERDUE)	13,67,40,019.39	8,71,35,982.05
GRAND TOTAL	28,15,59,484.39	20,71,55,129.68

Schedule to Balance Sheet as at 31 March, 2021

SCHEDULE 10: FIXED ASSETS (INCLUDING WIP ASSETS)

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
AS ON 01.04.2020	31,97,17,472.76	32,16,76,052.51
ADDITIONS DURING THE YEAR	4,69,45,209.74	6,17,73,507.41
LESS: SALE/ADJUSTMENTS	(3,77,568.80)	(51,89,991.79)
LESS: DEPRECIATION FOR CURRENT YEAR	(6,04,81,184.00)	(5,85,42,095.37)
WRITTEN DOWN VALUE AS ON 31.03.2021	30,58,03,929.70	31,97,17,472.76

SCHEDULE 11: OTHER ASSETS

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) REFUNDABLE SECURITIES	96,62,023.76	87,32,423.76
ii) STOCK OF PRINTED STATIONERY	38,41,179.27	60,96,546.85
iii) MISCELLANEOUS RECEIVABLES	4,61,10,937.76	4,16,49,739.68
iv) TAX DEDUCTED AT SOURCE	6,85,383.95	9,90,450.60
v) INCOME TAX REFUNDABLE	2,84,08,786.00	4,26,50,224.00
vi) ADVANCE INCOME TAX PAID	1,65,00,000.00	2,02,00,000.00
vii) NON-BANKING ASSETS ACQUIRED UNDER SARFAESI	2,27,40,040.00	2,27,40,040.00
viii) INPUT CREDIT RECEIVABLE UNDER GST	2,18,63,510.50	2,04,08,237.25
ix) STAMP PAPERS IN HAND	1,20,298.00	3,60,676.00
x) ATM, AEPs & UPI ACQUIRER RECEIVABLES	58,14,467.52	5,91,149.00
xi) EXCESS BALANCE WITH LIC FOR GRATUITY FUND	35,39,401.00	37,30,884.00
GRAND TOTAL	15,92,86,027.76	16,81,50,371.14

SCHEDULE 12: CONTINGENT LIABILITIES

(Amount in ₹)

Particulars	CURRENT YEAR 31.03.2021	PREVIOUS YEAR 31.03.2020
i) BANK GUARANTEES ISSUED	1,78,96,000.00	2,16,11,000.00
ii) AMOUNT REMITTED TO RBI UNDER DEAF	38,60,217.00	37,80,139.00
GRAND TOTAL	2,17,56,217.00	2,53,91,139.00

As per our report of even date attached

For M R S & Co.
Chartered Accountants
(Firm Regn. No. 016610N)

Sd/-
Suveer Kumar Gupta
MD & CEO

Sd/-
Sarvesh Singhal
Director

Sd/-
CA Ram Kumar Dhiman
Partner (M. No. 096852)

Sd/-
Sudhakar Agarwal
Director

Sd/-
Yashvir Kumar Gupta
Vice Chairman

Sd/-
Shiv Puran Gulati
Chairman

Saharanpur: 24 April, 2021

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

(A) BACKGROUND AND OPERATIONS:

- Shivalik Mercantile Co-operative Bank Ltd. was registered in 1997 under Uttar Pradesh Co-operative Societies Act 1965 and started operations in September 1998. Later, in September 2010, consequent upon the inter-state merger, the Bank was re-registered under **the Multi State Co-operative Societies Act 2002**, as a Multi-State Urban Co-operative Bank, and expanded its area of operation beyond the entire state of Uttar Pradesh (UP) to include area in the state of Madhya Pradesh (MP), which comprises five districts in the state, namely Dhar, Indore, Ujjain, Dewas and Khargone. Subsequently, in financial year 2017-18, after receiving due approval from RBI, the bank has extended its area of operation to the state of Delhi and districts of Dehradun and Haridwar in Uttarakhand. Thus, the present area of operation of the bank comprises area in four states – UP, MP, Delhi and Uttarakhand.
- Till the end of financial year 2020-21 (i.e. up to 31.03.2021) the Bank had thirty one branches – twenty six in UP (twelve in District Saharanpur, two in District Muzaffarnagar, one in District Shamli, three in Meerut, one in District Hapur, two in Ghaziabad, three in Noida and two in Lucknow) and five in MP (one each in Indore, Dhar, Dewas, Khargone and Ujjain). The Bank provides retail and corporate banking services.
- Shivalik Mercantile Co-operative Bank Ltd. has received approval from the Reserve Bank of India in January 2020 to transition into Small Finance Bank through a transfer of Assets and Liabilities.
- Merger of Malwa Commercial Co-operative Bank Ltd. with our bank:**
Malwa Commercial Co-operative Bank Ltd., Indore, M.P. (Target Bank) merged with Shivalik Mercantile Co-operative Bank Ltd. (Acquirer Bank) with effect from 1st September, 2012. In accordance with the scheme of merger, the Share Capital of the Target Bank was kept in Collection Account in the books of the Acquirer Bank for a period of 1 year from the date of merger. On the expiry of the period of one year, the balance amount (less, held by borrowers and guarantors) remaining in collection account was transferred to the General Reserve. As at the end of the previous year, only an amount of ₹ 24,600 remains in the books of the bank, that pertains to share capital held by borrowers and guarantors of the above-mentioned bank. Bank has transferred ₹ 24,600/- to the General Reserve after due information as per the terms and condition of merger scheme approved by RBI.
- Merger of Bhoj Nagrik Sahakari Bank with our bank:**
 - Bhoj Nagrik Sahakari Bank Maryadit, Dhar, M.P. (Target Bank) merged with Shivalik Mercantile Co-operative Bank Ltd. (Acquirer Bank) with effect from 1st November, 2010. As per the scheme of merger, the Share Capital of the Target Bank is being treated as Collection Account in the books of the Acquirer Bank and will remain so for a period of 10 years from the date of merger. During this period any share-holder of the Target bank desiring to withdraw his/her shares shall be paid back the amount at par. After expiry of 10 years, the amount remaining unpaid shall be converted to the share capital of the equivalent amount of Shivalik Mercantile Co-operative Bank Ltd.
 - The prescribed period of 10 years has expired in the current financial year and as per the terms and conditions prescribed in the merger scheme, the bank has provided the option to the members of the Target Bank to become members of Shivalik Mercantile Co-operative Bank Ltd. or withdraw his/her shares by producing the required documents within the prescribed period. After the expiry of the prescribed period, the bank has transferred the unpaid amount to the General Reserve.

(B) SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention and on a going concern basis in accordance with the generally accepted accounting principles and the statutory provisions prescribed in Banking Regulation Act 1949, the Multi State Co-operative Societies Act 2002, circulars and guidelines issued by the Reserve Bank of India from time to time, the Accounting Standards issued by the Institute of Chartered Accountants of India and practices prevailing within the banking industry in the country, except as otherwise stated.

2. Use of estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from these estimates and will be adjusted in the

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

accounts of the year in which they arise. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively.

3. Foreign Exchange Transactions

The bank holds Foreign Exchange Authorised Dealer Category-II license and has entered into transactions related to exchange/remittance of foreign currency on behalf of customers during the year. The income and associated GST implications from the above transactions are accounted for in the books of the bank. The bank does not have any foreign exchange assets/liabilities as on 31 March 2021.

4. Investments

4.1. In accordance with the extant instructions issued by Reserve Bank of India for the purpose of valuation of Investments, the Bank has classified its Investment portfolio as at 31st March 2021 into the following three categories:

- Held To Maturity (HTM):** Investments under this category are carried at their book value. Any premium on acquisition of a security is amortised over the balance period to maturity.
- Available For Sale (AFS):** Investments in the category are valued at market rate and net depreciation in the category, if any, is written off as expense of the year. Net appreciation, if any, has not been recognised in these financial statements.
- Held For Trading (HFT):** Investments in the category are valued at market rate and net depreciation in the category, if any, is written off as expense of the year. Net appreciation, if any, has not been recognised in these financial statements.

4.2. The Investments have been disclosed in the Balance Sheet as under:

- Government Securities (Book Value, Face Value and Market Value)
- Other Approved Securities
- Shares in Co-operative Institutions
- Other Investments

4.3. Market Value of Central and State Government Securities is determined in terms of Yield to Maturity method indicated by Financial Benchmark India Pvt. Ltd.

4.4. The Amortization of premium on investments in HTM category is calculated on the basis of days remaining to maturity and the amount of amortization is directly debited to the Profit and Loss Account as suggested in the RBI guidelines.

4.5. The bank maintains investment related reserves such as Investment Depreciation Reserve (IDR) and Investment Fluctuation Reserve (IFR) in line with the guidelines of the RBI.

4.6. Broken period interest on debt instruments is treated as a profit and loss item.

5. Loans and Advances

5.1. The classification of advances into Standard, Sub-standard, Doubtful and Loss assets, as well as provision on non-performing advances has been arrived at in accordance with the extant instructions issued by the Reserve Bank of India with regard to Income Recognition and Assets Classification (IRAC) from time to time and as applicable for preparation of this Balance Sheet.

5.2. In addition to this, a general provision on standard assets is also made as per the extant instructions issued by Reserve Bank of India in the following manner:

Category of Advance (Excluding NPA)	%age provision made
Advances for Commercial Real Estate for commercial use	1.00%
Advances for Commercial Real Estate for Housing needs	0.75%
Advances to agricultural and SME sector	0.25%
Advances against FD, LIC, KVP and NSC	Nil
Other Advances	0.40%

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(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

- 5.3. The interest in respect of non-performing advances is provided separately under "Overdue Interest Reserve" in accordance with the extant instructions issued by Reserve Bank of India.
- 5.4. The bank follows the RBI Master Circular on Management of Advances applicable to Urban Co-operative Banks. If the terms of the loan are changed for competitive reasons or any administrative issues in the loan account which are outside the control of the borrower or where such change would result in an overall acceleration of the loan repayment, such changes are considered a variation of terms at the request of the bank in the normal course of business.
- 5.5. The bank has adopted appropriation of recoveries in loan accounts in line with AS-5. The order of appropriation is Charges, Interest / Penal Interest and Principal.

6. Fixed Assets and Depreciation

- 6.1. Fixed Assets are stated and carried in the Balance Sheet at written down value, arrived at cost less depreciation. Cost includes incidental expenses incurred on acquisition of assets.
- 6.2. As per applicable accounting standards, the residual value and useful life of assets should be reviewed periodically and if expectations differ from future estimates, this should be considered a change in accounting estimates. Change in accounting estimates are applied prospectively starting with the current financial year and restatement of prior year comparatives is not required.
- 6.3. The applicable depreciation methodology on Fixed Assets is mentioned below:

S. No.	Asset Category	Depreciation Method	Useful Life
1	Furniture and Fixtures	Straight Line	10 Years
2	Office Equipment	Straight Line	10 Years
3	Office Vehicles	Straight Line	8 Years
4	Safe, Locker Steel Almirah	Straight Line	30 Years
5	Computer Hardware & Software	Straight Line	3 Years
6	Temporary Structures	Straight Line	3 Years
7	Other assets	Straight Line	Internal Assessment

- 6.4. Depreciation would be calculated on the basis of the number of days that the asset has been put to use in any given accounting period.
- 6.5. Depreciation on assets sold during the year is charged up to the date of sale.
- 6.6. There has been no change in method and rates of providing depreciation as compared to the previous year.
- 6.7. No fixed assets were revalued during the year.
- 6.8. Certain capital expenditures made on assets prior to being available for use represents 'work in progress' assets. Depreciation / amortization of these assets would begin once these are available for use in line with the applicable accounting standards.
- ### 7. Revenue Recognition (Accounting Standard AS-9)
- 7.1. Items of income and expenditure are generally accounted for on accrual basis.
- 7.2. Income from non-performing assets is recognised to the extent realised, as per the extant instructions issued by Reserve Bank of India.
- 7.3. Income derecognised on classification of any advance account as NPA is recognised as income on subsequent actual realization and re-classification of asset as standard asset.
- 7.4. Interest on Government securities, debentures and other fixed income securities is recognised on a period proportional basis. Income on discounted instruments is recognised over the tenor of the instrument on a straight-line basis
- 7.5. Any recovery against advances written off in earlier years is considered as income of the year in which the same is recovered.

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

- 7.6. Interest on overdue fixed deposits is provided at rate of interest applicable on savings account in accordance with the extant instructions of RBI.
- 7.7. There are no material prior period items included in Profit and Loss account.
- 7.8. Certain items of income such as Locker Rent, DD Commission and others are recognised on cash basis. The quantum of such income is not material.

8. Non-Performing Assets

- 8.1. Non-Performing assets of the bank have been identified and provision thereon has been made as per the extant instructions of Reserve Bank of India.
- 8.2. Interest accrued and credited to income on any advance which is classified as a Non-Performing Asset at any time during the year is reversed to the extent this has not been realised.
- 8.3. Interest accrued on NPA is not shown as income but shown as a contra item under the "Overdue Interest Reserve" and "Interest Receivable on Advances" in the Balance-sheet.
- 8.4. All recovery expenses in relation to non-performing accounts are charged to the profit and loss account at the time of expense recognition. Any subsequent recovery of such expenses is recognised as income in the profit and loss account offsetting the earlier debit completely or partially. Previously, such expenses were recognised to the profit and loss account when the account was closed or written off.

9. Employee Benefits (Accounting Standard AS-15)

- 9.1. The bank operates a defined benefit plan for its employees, viz. gratuity liability. The cost of providing benefits under these plans is determined on the basis of an independent actuarial valuation at each year-end.
- 9.2. The bank maintains the fund under trust deed and requisite insurance arrangements with Life Insurance Corporation of India (LIC) as Employees Group Gratuity Scheme. The shortfall, if any, between the present value of the benefit obligation and the fair value of plan assets as on 31 March is paid/provided for and recognised as expenses in the profit and loss account.
- 9.3. Bank's Contribution and Employees' contribution towards provident fund is paid every month to Commissioner of Provident Fund in accordance with the provisions of Employees Provident Fund and Misc Provision Act 1952. Provident Fund contributions are made for each individual and the scheme is administered by Regional Provident Fund Commissioner (RPFC), as applicable. The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government.
- 9.4. The Bank's contribution to provident fund is accounted for in Profit and Loss account on the basis of contribution to the scheme.
- 9.5. All earned leaves which are due are paid by the end of the financial year.

10. Reserve Fund and Other Reserves

- 10.1. Dividend remaining unclaimed over 3 years is transferred to Statutory Reserve Fund account.
- 10.2. Nominal Membership and Entrance Fees for Regular members are transferred to Statutory Reserve Fund every year.

11. Income Tax (AS 22)

- 11.1. Provision for current tax is made on the basis of estimated taxable income for the year.
- 11.2. Deferred tax is recognised, subject to consideration of prudence, on timing difference, representing the difference between taxable incomes and accounting income that originated in one period and is capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date.

12. Goods and Services Tax (GST)

The Bank has implemented the Goods and Services Tax (GST) regime since its implementation on 1 July 2017. The bank has collected GST on income from commission, other charges and paid GST on operating and capital expenses. The bank availed eligible Input Tax

Significant Accounting Policies, Disclosures and Notes on Accounts

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Credit as per GST Rules on relevant expenses which was utilised for set-off of GST collected on income from commission and customer charges. Unutilised Input Tax Credit has been carried forward to the next year for further utilization.

Income and Expense on which GST is applicable are accounted for on net of eligible GST.

13. Long Term Subordinated (Tier II) Deposit:

The amount of Long Term Subordinated (Tier II) Deposit and Interest paid on thereon has been shown under the head "Borrowings" in the Balance Sheet and "Interest on Borrowings" in the Profit and Loss Account respectively.

14. Refundable Securities

Bank has deposited security amounts with Government and other agencies to acquire services which are refundable and accounted for as other assets. These represent tangible assets and are considered recoverable in future after termination of services.

(C) DISCLOSURES AND NOTES ON ACCOUNTS:

1. Disclosure as per the extant instructions of Reserve Bank of India:

(Amount in ₹/Lacs)

S. No.	Particulars	31.03.2021	31.03.2020
1.1.	Capital to Risk Asset Ratio (CRAR)	13.08%	13.09%
	A. Capital Tier I	9,145.49	7,743.40
	B. Capital Tier II	928.38	1,192.96
	C. Total of Tier I and II Capital	10,073.87	8,936.26
	D. Total Risk Weight Assets	77026.74	68,263.52
1.2.	Movement of CRAR (Basis points)	(-1)	2
1.3.	Values of Investments are as under:		
	1) Government /Approved Securities (SLR)		
	i) HELD TO MATURITY		
	(a) Face Value	27,073.70	26,073.70
	(b) Book Value	27,352.92	26,256.94
	ii) AVAILABLE FOR SALE		
	(a) Face Value	500.00	-
	(b) Book Value	503.00	-
	(c) Market Value	486.86	-
	iii) HELD FOR TRADING		
	(a) Face Value	-	-
	(b) Book Value	-	-
	(c) Market Value	-	-
	2) Other Investments (Non-SLR)		
	i) Shares of Co-operative Institution	-	-
	ii) Others (Book Value)	24.72	24.72
	iii) Others (Market Value)	30.53	29.47
1.4.	Advances against Shares and Debenture	NIL	NIL

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

1.5. Advances of ₹ 8,04,86.38 Lacs (Previous year ₹ 7,18,59.88 Lacs) shown in the Balance Sheet include:

(Amount in ₹/Lacs)

Particulars	FUND BASED		NON- FUND BASED	
	31.03.21	31.03.20	31.03.21	31.03.20
i) Advances against Real Estate, Construction Business, Housing	17,845.31	14,811.03	Nil	Nil
ii) Advance to Directors*	Nil	Nil	Nil	Nil
iii) Advances to Relatives of Directors & Companies/ firms in which they are interested*	11.72	13.47	Nil	Nil
iv) Advances to Chairman	Nil	Nil	Nil	Nil

*All advances to Directors, their relatives and companies/firms in which they are interested are against the security of their own FDRs, as explicitly allowed by RBI.

(Amount in ₹/Lacs)

S. No.	Particulars	31.03.2021	31.03.2020
1.6.	Average Cost of Deposits	6.11%	6.40%
1.7.	a. Gross NPAs	3176.02	2032.28
	b. Net NPAs	1912.53	1296.00
1.8.	Movement in NPA		
	Opening Balance	2032.28	1122.96
	Add: Additions during the year	1514.93	1048.03
	Less: Closed/ Recovered /Written off	371.19	138.71
	Closing Balance	3176.02	2032.28
1.9.	a. Interest income as a percentage of working funds.	9.45%	9.63%
	b. Non-Interest income as percentage of working funds	1.23%	1.04%
	c. Operating profit as a percentage of working funds.	0.72%	0.28%
	d. Return on Assets	0.26%	0.18%
	e. Business (Deposits + Advances) per employee	436.03	304.66
	f. Profit per employee (Before Tax)	1.09	0.53
	g. Profit per employee (After Tax)	0.70	0.37
1.10.	a. Provision on NPAs required to be made	1243.42	736.28
	b. Provision on NPAs actually made	1263.49	811.96
	c. Provisions on depreciation in investments required to be made	16.14	-
	d. Provisions on depreciation in investments actually made	16.14	-
	e. Provision on Standard Assets required to be made	284.47	240.13
	f. Provision on Standard Assets actually made	286.18	248.18
1.11	Payment of DICGC Premium (inclusive of GST)	164.04	129.80
1.12	Arrears in DICGC Premium	Nil	Nil

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

1.13. Restructuring of Advances:

The table below shows all accounts restructured in FY 20-21. This includes all accounts restructured under the COVID-19 Regulatory Packages as disclosed separately later in this section.

(₹ in Lacs)

Particulars of Accounts Restructured as on 31.03.2021		Housing Loans	SME Debt	Others
Standard Advances	No. of Borrowers	3	6	21
	Amount outstanding	58.48	120.81	128.61
	Sacrifice (diminution of fair value)	-	-	-
Sub-standard Advances	No. of borrowers	-	1	3
	Amount outstanding	-	36.76	8.48
	Sacrifice (diminution of fair value)	-	-	-
Doubtful Advances	No. of borrowers	-	-	-
	Amount outstanding	-	-	-
	Sacrifice (diminution of fair value)	-	-	-
Total	No. of borrowers	3	7	24
	Amount outstanding	58.48	157.57	137.09
	Sacrifice (diminution of fair value)	-	-	-

1.14. Write-Off of Advances:

The Bank has not written off of any loan accounts during the current financial year (Prior Year: ₹ 0.00 Lacs).

1.15. The Honorable Supreme Court of India (Hon'ble SC), vide an interim order dated September 03, 2020 ("Interim Order"), had directed that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Basis the interim order, the Bank did not classify any account which was not NPA as at August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020. The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide a judgement of the Hon'ble SC. As per the instructions of the RBI circular dated April 07, 2021 issued in the connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI guidelines / IRAC norms.

1.16. Details of resolution plan implemented under the resolution framework for COVID-19 related stress assets as per RBI circular dated August, 06 2020 are given below.

(₹ in Lacs)

Type of Borrower	(A) Number of Accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan*	(C) Of (B) Aggregate amount of debt that was converted into other securities.	(D) Additional funding sanctioned, if any. Including between invocation if the plan and implementation.	(E) Increase in provisions on accounts of the implementation of the resolution^
Personal Loan	21	100.92	-	-	10.09
Corporate persons	-	-	-	-	-
Of which MSME's	-	-	-	-	-
Other's	6	94.65	-	-	9.47
Total	27	195.57	-	-	19.56

1.17. Micro, small and medium enterprises (MSME) sector – restructuring of advances

The Bank has restructured the accounts as per RBI circulars DBR.NO.BP.BC.100/ 21.04.048/2017-18 dated February 07, 2018, DBR.NO.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.NO.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.NO.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.NO.BP.BC/ 4/21.04.048/2020-21 dated August 06, 2020.

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(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

(Amount in ₹/Lacs)

Particulars	As at 31.03.2021	As at 31.03.2020
Number of Accounts Restructured	7	-
Amount Restructured	157.57	-

2. Related Party Disclosure (Accounting Standard AS-18)

2.1. List of the related parties and their relationship

Name of the party	Relationship
a. Key Managerial Personnel	
1. Shri Yashvir Kumar Gupta	Vice Chairman
2. Shri Suveer Kumar Gupta	MD & CEO
b. Relatives of the Key Managerial Personnel	
1. Shri Suveer Kumar Gupta	Son of Shri Yashvir Kumar Gupta
2. Smt. Swam Lata Gupta	Wife of Shri Yashvir Kumar Gupta
3. M/s Yashvir Kumar Gupta HUF	HUF of Shri Yashvir Kumar Gupta
4. Smt. Shilpa Gupta	Wife of Shri Suveer Kumar Gupta
5. Shri Dinesh Kumar Mittal HUF	HUF of brother of Sh. Yashvir Kr. Gupta

2.2. Details of transactions with the related parties carried out on an arm's length basis

S. No.	Nature of the transactions	Relatives of Key Managerial Personnel	
		31st March 2021	31st March 2020
1.	Salary paid	35,60,738	34,15,980
2.	Rent paid	57,04,379	67,34,268
3.	Other services	12,726	-

3. Leases (Accounting Standard AS-19)

The bank has cancelable operating lease and the disclosures under AS 19 on 'Leases' issued by ICAI are as follows:

- Lease rent payments of ₹ 436.53 Lacs (inclusive of GST) have actually been made. 50% of GST has been taken to Input Tax Credit, the balance has been recognised in the statement of profit and loss for the year ended March, 2021 (Previous Year: ₹ 451.93 Lacs).
- The lease agreements entered into, pertain to use of premises and electricity generator by the bank. The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar such agreements.

4. Intangible Assets (Accounting Standard AS-26)

Details of Computer Software included in Fixed Assets in accordance with AS-26 on Intangible Assets issued by the ICAI are as under:

(Amount in ₹/Lacs)

Particulars	Amount
Opening balance as on 01.04.2020	1965.06
Additions during the year	121.00
Less: Amortization/Depreciation	366.00
Closing balance as on 31.03.2021	1720.06

5. Impairment of Assets (Accounting Standard AS-28)

The bank has written off a sum of 'NIL' (last year 'NIL') to its profit and loss account on account of Impairment of assets.

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

6. Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard AS-29)

6.1. Provisions

- (a) As on 31st March 2021, the Bank had an excess provision of ₹ 20.07 Lacs on account of Bad Debts and Doubtful Reserve (BDDR).
- (b) The Bank has maintained additional provision over and above the requirement as per RBI guidelines for Bad Loans (NPA). Provisioning Coverage Ratio (PCR) is 39.78% as on 31st March 2021 (Prior Year : 40.00%). Provision Coverage Ratio indicates total provision made against the NPA.

- 6.2. In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020, and May 23, 2020, the Bank has granted a moratorium of six months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 ("moratorium period") to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms).

Additional provisioning on account of COVID-19 – Asset Classification and Regulatory Package has been disclosed in the table as per the extent norms of the Reserve Bank of India

(Amount in ₹/Crores)

Particulars	Total
SMA / overdue categories, where the moratorium / deferment was extended	99.92
Amount where asset classification benefits is extended as on 31 March 2021	-
Provisions made as on 31 March 2021	0.66
Provisions adjusted during the respective accounting periods against slippages	Not Applicable

6.3. Contingent Assets and Liabilities

- (a) Details of contingent liabilities are provided below:

(Amount in ₹/Lacs)

Particulars	31.03.2021	31.03.2020
Bank Guarantees	178.96	216.11
DEAF (Depositor Education and Awareness Fund)	38.60	37.80

- (b) Bank Guarantees are 100% secured against tangible securities.
- (c) Amount related to DEAF has been directly deposited in the specific account with RBI Mumbai.
- (d) Amount transferred to DEAF:

(Amount in ₹/Lacs)

Particulars	2020-21	2019-20
Opening balance of amounts transferred to DEAF	37.80	36.77
Add: Amounts transferred to DEAF during the year	0.80	1.51
Less: Amounts reimbursed by DEAF towards claims	(0.00)	(0.48)
Closing balance of amounts transferred to DEAF	38.60	37.80

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

7. Segment reporting (Accounting Standard AS-17):

- 7.1. Bancassurance: Bank is engaged in selling of insurance policies as an authorised corporate agent, as permitted by RBI, for the following insurance companies:

- General Insurance - New India Assurance Co. Ltd. and Bajaj Allianz General Insurance Co. Ltd.
- Life Insurance - Life India Corporation of India and Bajaj Allianz Life Insurance Co. Ltd.
- Health Insurance - Star Health and Allied Insurance Co. Ltd.

- 7.2. The details of the commission income received is shown below: (Amount in ₹/Lacs)

S. No.	Types of Insurance	Name of Insurer	Commission Income for FY 2020-21
1.	Life	Life Insurance Corporation of India	35.45
2.	Life	Bajaj Allianz Life Insurance Co. Ltd	92.15
3.	Health	Star Health and allied Insurance Co. Ltd.	32.24
4.	General	Bajaj Allianz General Insurance Co. Ltd.	9.44
5.	General	New India Assurance Co. Ltd.	4.86
		TOTAL	174.14

The commission earned from insurance business during the year is ₹174.14 Lacs (Previous Year: ₹145.17 Lacs).

8. Taxation

8.1. Income Tax

Bank has filed income tax returns since inception and all assessments other than for past two years have been completed till date. The Final assessment order u/s 143(3) for A.Y. 2018-19 is under process.

Bank has filed the income tax return for A.Y. 2020-21 in January 2021.

8.2. Deferred Tax Liability

Details pertaining to the movement of deferred tax liability in the current financial year are presented below

(Amount in ₹/Lacs)

Deferred Tax Liability	Due to Depreciation	Due to creation of Reserve U/s 36(l) (viii) of IT Act	Due to Gratuity payment	Total
For period up to 31st March, 2020	71.18	-	13.04	84.22
For the year 2020-21	(18.71)	-	(4.13)	(22.84)
As on 31st March, 2021	52.47	-	8.91	61.38

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

9. Investments Related Disclosures:

9.1. Details of Non-SLR investments as at 31 March 2021:

(Amount in ₹/Lacs)

S. No.	Issuer	Amount	Extent of 'below investment grade securities'	Extent of 'unrated securities'	Extent of 'unlisted securities'
1.	PSUs (NHAI)	24.72	-	-	-
2.	FIs	-	-	-	-
3.	Public Sector Banks	-	-	-	-
4.	Mutual Funds	-	-	-	-
5.	Others	-	-	-	-
6.	Provision held towards Depreciation	-	-	-	-

9.2. Non-SLR Investments of the bank comprise of the following items as at 31 March 2021:

(Amount in ₹/Lacs)

S. No.	Name of Investment	Amount	
		FY 20-21	FY 19-20
1.	8.30% Tax-free Bonds issued by NHAI.	24.72	24.72
	TOTAL	24.72	24.72

(a) All the investments under this head are within limits defined as per the extant instructions of RBI.

(b) Investments under this head have been valued at the lower of book value and market value.

(c) Non-performing non-SLR investments are Nil.

9.3. During the valuation of investment held in AFS, Bank has identified Mark to Market loss of ₹ 16.14 Lacs and made provision for the same amount as depreciation on Investment as on 31st March 2021. The above provision has shown as "Contingent Provision Against Depreciation on Investment" under the head "Other Liabilities and Provisions" in the Liabilities side of Balance Sheet as per the instruction prescribed of RBI.

9.4. Investment Fluctuation Reserve (IFR) is being created as per the instructions of the RBI. The bank is required to maintain an IFR for an amount representing at least 5% (up to a maximum of 10%) of the book value of investments held under AFS and HFT categories as at the end of the financial year. The bank held an IFR of ₹ 27.00 lacs as on 31 March 2021, against a requirement of ₹ 26.25 Lacs.

9.5. Shifting of Investments between categories: The Bank may transfer investment securities between HTM and AFS categories (and vice versa) once in a financial year as per the guidelines prescribed by the RBI. During this financial year, Bank has transferred securities of ₹ 99.48 Crores from HTM to AFS (Prior Year: ₹ 46.06 Crores). The Market Value of all shifted securities was above the book value and no mark to market loss was required to be recognised during shifting as per the prescribed norms of RBI.

9.6. During Financial Year 2020-21, the bank has amortised premium of ₹ 0.35 Crores on investment securities (Prior Year : ₹ 0.41 Crores).

10. Borrowings

10.1. Against Fixed Deposit

The Bank has taken overdraft limits from other banks, against the security of its Fixed Deposits in these banks, to meet short term liquidity requirements during the year. The details of the limits sanctioned are as under. No limit was availed as on 31.03.2021.

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

(Amount in ₹/Crores)

S. No.	Name of Bank from which limit has been availed	Limit Amount	Amount of FDRs pledged to secure the limit
1.	IDBI Bank	2.67	3.22
2.	PNB	5.52	5.97
3.	HDFC Bank	-*	1.00
4.	Equitas Small Finance Bank	6.30	45.70
5.	Utkarsh Small Finance Bank	13.38	42.90
6.	Ujjivan Small Finance Bank	9.60	22.85
7.	Fincare Small Finance Bank	13.50	39.40

* The FDR in HDFC Bank has been pledged with them to secure Bank Guarantee(s) for customer(s) of the Bank.

10.2. Long Term Subordinated (Tier II) Deposit:

In accordance with the RBI circular no. RBI/2016-17/7 DCBR B.P.D. Cir. No. 21/09.18.201/2016-17 and permission of Central Registrar Co-operative Societies, the Bank has outstanding balance of ₹ 7.69 Crores in the form of Long Term Subordinated (Tier II) Deposit which has a maturity duration of seven years. As per the RBI guidelines, this amount is eligible as Tier II capital for the purpose of the calculation of the Capital Adequacy Ratio.

11. Statutory Liability

11.1. The Bank had a statutory liability of ₹ 3,30,525/- (Prior Year : ₹ 2,25,307/-) on account of appropriations made during the year towards Education Fund, which had to be paid to The National Co-operative Union of India Ltd., New Delhi, under The Multi-State Co-operative Societies Act, 2002.

11.2. DICGC Premium has been paid up-to-date and the next payment due date will fall in May, 2021.

11.3. No penalty has been imposed on the bank by RBI till date.

12. Priority Sector and PSLC Sale

12.1. The Priority Sector and Weaker Section lending ratios along with the details of the PSLC traded of the bank for the year are as follows:

Particulars	(Amount in ₹/Crores)	
	Amount	Percentage (%)
Average amount lent under Priority Sector	455.81	63.22%
PSLC Sold (Category)	(118.50)	(16.44%)
Average Net Priority Sector Lending of the Bank	337.31	46.79%
Weaker Section Lending of the Bank	134.46	18.71%

12.2. During the financial year 2020-21, the bank has sold Priority Sector Lending certificate of ₹ 118.50 Crores (Prior Year : ₹ 115.00 Crores) and on which bank has earned profit of ₹ 76.58 lacs (Prior Year : ₹ 81.87 Lacs). Category wise details are given hereunder..

S. No.	Category of PSLC	(Amount in ₹/Crores)	
		Amount	
1.	Micro Enterprises	86.00	
2.	Small and Marginal Former	3.50	
3.	Agriculture	9.00	
4.	General	20.00	

As per the RBI guidelines, this amount has been excluded from the amount of Priority Sector Lending as on 31st March 2021 for the purpose of reporting.

Significant Accounting Policies, Disclosures and Notes on Accounts

(Schedule annexed to and forming part of the Balance Sheet as on 31st March 2021 and Profit & Loss Account for the year ended 31st March, 2021)

13. Appropriation of profit for the year (Appropriation Details)

Bank is following the practice of appropriation of profit towards statutory and other mandatory reserves/funds as on date of balance sheet i.e. 31st March of each year. The appropriation towards dividend is made as approved in the AGM, after the meeting is held.

14. Employee Benefits

14.1. The actuarial valuation of the defined benefit obligation and details of surplus/ deficit contributions are shown below:

(Amount in ₹/Lacs)

Particulars	31 March 2021	31 March 2020
Defined Benefit Obligation	126.04	134.68
Fair value of Plan Assets	161.43	171.99
Funded Status - (Surplus)/Deficit	(35.39)	(37.31)
Past Service Cost not yet Recognised	-	-
Unrecognised Asset due to Limit in Para 58(B)	-	-
(Asset)/Liability Recognised in the Balance Sheet	(35.39)	(37.31)

14.2. Bank contribution to provident fund is ₹88.45 Lacs in current Financial Year (Prior Year: ₹ 102.15 Lacs).

15. Others

15.1. As on 31st March 2021, the bank had a balance of ₹ 0.23 Crores in the Contingency Reserve which has been transferred to Bad and Doubtful Debt Reserve as per the provisions of the Bye Laws of the bank and by the approval of the general body.

16. Previous year figures have been regrouped and recasted wherever considered necessary to make them comparable with those of current year.

As per our report of even date attached

For M R S & Co.
Chartered Accountants
(Firm Regn. No. 016610N)

Sd/-
Suveer Kumar Gupta
MD & CEO

Sd/-
Sarvesh Singhal
Director

Sd/-
CA Ram Kumar Dhiman
Partner (M. No. 096852)

Sd/-
Sudhakar Agarwal
Director

Sd/-
Yashvir Kumar Gupta
Vice Chairman

Sd/-
Shiv Puran Gulati
Chairman

Saharanpur: 24 April, 2021

NOTES



A multi-state bank

Shivalik Mercantile Co-Operative Bank Ltd.

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