

Telangana State Co-operative Apex Bank Limited.

Schedule No. 18 NOTES TO ACCOUNTS (Disclosure in terms of RBI guidelines)

1. INVESTMENTS:

1.1. Investments are classified into following two categories in accordance with the guidelines of National Bank for Rural Development (NABARD) / Reserve Bank of India (RBI).

- (a) Investments acquired with an intention to hold till maturity are categorized as Permanent Category / "Held to Maturity".
- (b) Investments acquired with an intention to trade / not to hold till maturity are Categorized as Current Category / Available for Sale.

1.2. Investments disclosed in the Balance Sheet in the following Four Groups.

- (a) Government Securities
- (b) Other approved Securities
- (c) Shares
- (d) Bonds and Debentures
- (f) Units in Mutual Funds and Other Investments

1.3 Cost of Investments acquired is net of Brokerage, front-end fees, incentives, commission and broken period interest.

1.4 Valuation:

(a) Investments classified under Permanent Category / "Held to Maturity" are valued at acquisition cost, net of amortization. Investments acquired at premium over the face value are amortized over the period remaining to the maturity.

(b) Investments classified under Current Category / "Available for Sale" are valued in accordance with NABARD / RBI guidelines by marking to the Market rates at FIMMDA suggested rates. The values are aggregated into five groups and the net depreciation, if any, in any group is provided in the accounts, while the net appreciation in any group is ignored.

(c) Treasury bills are valued at carrying cost.

(d) Quoted Shares are valued at the Market value. Unquoted Shares or quoted shares for which current quotation is not available are valued at book value without considering the revaluation reserves of the investee institution. If the latest balance sheet which is not older than a year is not available, the shares are valued at Rs.1/- per company.

(e) Debentures and Bonds are valued at YTM basis. YTM is 50 basis points above the rate applicable to Central Government Securities of Equivalent Maturity.

(c) Non-Performing investments are identified and depreciation/provision is made thereon based on the Reserve Bank of India guidelines. The depreciation/provision for Non-Performing Investments is not set off against the appreciation in respect of other performing investments.

1.5 Amortization charged to the Profit and Loss Account during the year is Rs. 80,65,264/- Previous year Rs. 137,13,920/-

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1.6. SLR Investments:

Category	As at 31/03/2017	As at 31/03/2016
Permanent Category	5413476632	4680812116
Current Category including T Bills	9260840185	5422856981

(a) Permanent Category : Rs. 541,34,76,632

(b) Current Category : Rs. 926,08,40,185

1.7 Book value, Face Value and Market value of SLR Investments in Current Category Central and State Government Securities in Rupees.

As at 31/03/2017			As at 31/03/2016		
Book Value	Face Value	Market Value	Book Value	Face Value	Market Value
9260840185	9291120000	9306455397	5422856982	544839000	5428111013

1.8 Non SLR Investments:

(Disclosure as per RBI Circular No. RPCD.CO.RF.BC.65/070203/ 2003-04 dated 23/02/2004)

S.No	Issuer	Amount	Extent of Private Placement	Extent of below Investment grade Securities already invested	Extent of unrated securities already invested	Extent of unlisted securities
1	PSU/AFI	196683000 (196683000)	104000000 (104200000)	0 (0)	0 (0)	0 (0)
2	Banks	50000000 (0)	50000000 (0)	0 (0)	0 (0)	0 (0)
3	FI (shares)	885700 (885700)	0 (0)	0 (0)	0 (0)	0 (0)
4	NBFC	4168000 (2084000)	4168000 (2084000)	0 (0)	0 (0)	4168000 (2084000)
	Total	251736700 (199852700)	158168000 (104200000)	0 (0)	0 (0)	54168000 (2084000)
	Provision held towards Depreciation	4168000 (10589583)				

Figures in Brackets are for the previous year

1.9 Non-Performing Non-SLR Investments

S.No	Particulars	For the year 2016-17	For the year 2015-16
1	Opening Balance	2084000	2084000
2	Additions during the year	0	0
3	Reduction during the year	2084000	0
4	Closing Balance	0	2084000

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2. ADVANCES TO DIRECTORS AND THEIR RELATIVES

NIL

3. COST OF DEPOSITS

Average cost of deposits for the year 2016-17 - 7.72 (8.56 for 2015-16)

4. NON-PERFORMING ASSETS (NPAS)

(Amt in Rs.)

Particulars	2016-17	2015-16
a) Gross NPAs	162637882.19	158508000
b) Net NPAs	0.00	0.00
c) % of Gross NPAs to total advances	0.36	0.39
d) % of net NPAs to net advances	0.00	0.00

5. MOVEMENT OF NPAS

(Amt in Rs.)

Particulars	2016-17	2015-16
a) Gross NPAs at the beginning of the year	158508000	0.00
b) Devolved on TSCAB on account of bifurcation	0.00	2040949000.00
b) Additions during the Year	63128882.19	7177000.00
c) Collections / written off during year	58999000.00	1889618000.00
d) Gross NPAs at the end of the year	162637882.19	158508000.00

6. PROFITABILITY

(Amt in Rs.)

Particulars	2016-17	2015-16
a) Interest income as percentage of average working funds	7.39	7.56
b) Non-interest income as % of average working funds	0.12	0.05
c) Operating profit of % of average working funds	0.89	0.46
d) Return on assets (%)	0.40	0.24
e) Business per employee (Deposit + Advances)	221410024.42	198181000.00
f) Profit per employee	745920.74	467000.00

7. PROVISIONS

(Amt In Rs.)

Particulars	2016-17	2015-16
A Provision for NPA	2232503223.19	2232503223.19
B i) Provision for overdue interest	586043613.11	586043613.11
ii) Provision for Inter Branch reconciliation	639605.57	639605.57
iii) Provision for Inter Bank reconciliation	765765.80	765765.80
C Provision for other Assets	25405953.45	25761703.45

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8. MOVEMENT IN PROVISIONS

a. Movement in provisions towards NPAs

(Amt in Rs.)

Sl. No.	Particulars	2016-17	2015-16
I	Opening Balance	2232503223.19	0.00
II	Devolved on TSCAB on account of bifurcation	0.00	2232503223.19
III	Provision made during the year	0.00	0.00
IV	Sub-Total	2232503223.19	2232503223.19
V	Less: Provision / write off during the year	0.00	0.00
VI	Closing Balance	2232503223.19	2232503223.19

Fresh provision for NPAs as per IRAC norms has not been made during the year as there is an existing provision for NPAs to the extent of Rs.223.25 crores available which is in excess of the required provision of Rs. 9.16 Crores.

b. Movement in provisions towards depreciation on Investments

(Amt in Rs.)

Sl. No.	Particulars	2016-17	2015-16
I	Opening balance	142815424.65	0
II	Devolved on TSCAB on account of	0	142815424.65
III	Provision made during the year	0	0
IV	Provision write off during the year	0	0
V	Closing balance	142815424.65	142815424.65

c. Movement in provisions towards Standard Assets

(Amt in Rs.)

Sl. No.	Particulars	2016-17	2015-16
I	Opening Balance	549760177.00	0.00
II	Devolved on TSCAB on account of bifurcation	0.00	549760177.00
III	Add: Provision made during the year	0.00	0.00
IV	Less: Provision write back during the year	0.00	0.00
V	Closing Balance	549760177.00	549760177.00

Fresh provision for standard assets has not been made during the year as there is an existing provision to the extent of Rs 54.97 crores available which is in excess of the required provision of Rs 18.45 Crores.

d. Movement in provision for OD interest

(Amt in Rs.)

Sl.	Particulars	2016-17	2015-16
I	Opening Balance	586043613.11	0.00
II	Devolved on TSCAB on account	0.00	586043613.11
III	Provision made during the year	0.00	0.00
IV	Provision used to write off interest	0.00	0.00
V	Closing Balance	586043613.11	586043613.11

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Fresh provision for overdue interest has not been made during the year as there is an existing provision to the extent of Rs 58.60 crores available which is in excess of the required provision of Rs 0.18 Crores.

e. Provision for Other Assets

(Amt in Rs.)

Sl. No.	Particulars	2016-17	2015-16
I	Opening Balance	25761703.45	0.00
II	Devolved on TSCAB on account of bifurcation	0.00	22610158.57
III	Add: Provision made during the year	0.00	3151544.88
IV	Provision write off during the year	355750.00	0.00
V	Closing Balance	25405953.45	25761703.45

9. The Bank has made a provision of Rs.339.55 crores over the years for the following with a view to strengthen the financial stability of the Bank in terms of the Reserve Bank of India Guidelines.

(Amt in Rs.)

Sl. No.	Particulars	Amt Available	Amt Required	Surplus
I	Prov for Standard Assets	549760177.00	184519853.21	365240323.79
II	Prov for N P A	2232503223.13	91602786.59	2140900436.54
III	Prov for OD Interest	586043613.11	1862327.04	584181286.07
IV	Prov for other Assets	25405953.45	21553510.69	3852442.76
V	Prov for Inter Branch Recon.	639605.57	0.00	639605.57
VI	Prov for Inter Bank Recon.	765765.80	0.00	765765.80
	Total	3395118338.00	299538477.53	3095579860.53

10. PAYMENT TO DICGC

Insurance premium of Rs.15712000.00 is paid by the Bank to DICGC covering all the eligible deposits up to the period 31.03.2017.

11. PENALTY IMPOSED BY RBI

No penalty has been imposed by RBI/NABARD for any violation during the year

12. RECONCILIATION OF INTER-BANK, INTER-BRANCH ACCOUNTS

The Bank is having a surplus provision of Rs.7, 65,765.80 under provision for interbank unreconciled items and there are no old pending Un-reconciled entries under Interbank. Further there is a surplus provision of Rs.6,39,605.57 under provision for interbranch unreconciled items and unreconciled credit items is to a tune of Rs 724091.01.

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13. DEPOSITORS EDUCATION AND AWARENESS FUND (DEAF)

(Amt in Rs.)

Sl.	Particulars	2016-17	2015-16
I	Opening balances	76304647.05	0.00
II	Devolved on TSCAB on account of bifurcation transferred to DEAF	0.00	74080095.33
III	Add: Amounts transferred to DEAF	3047793.44	2224551.72
IV	Less: Amounts reimbursed by DEAF	98088.83	0.00
V	Closing balance of amounts transferred	79254351.66	76304647.05

14. CAPITAL TO RISK WEIGHTED ASSETS RATIO (CRAR)

The Capital to Risk Weighted Assets Ratio of the bank as on 31.03.2017 is 10.55 %. (10.56% for 2015-16)

15. Deferred Tax

(Amount in Rs.)

Deferred Tax	For the Year ended 31.03.2017	For the Year ended 31.03.2016
Deferred Tax asset		
a. Disallowance on Provisions	23059630.00	99238079.00
b. Disallowance on Amortisation of Investments	30853293.00	34060400.00
Sub Total	5391292.00	133298479.00
Deferred Tax Liability		
a. Fixed assets/Depreciation	7961970.00	11019000.00
b. Special Reserve u/s 36(i)(Viii)	42416886.00	37982970.00
Sub Total	50378856.00	49001970.00
Deferred tax asset (Net)	3534067.00	84296509.00
Less Previous Year Deferred tax	84296509.00	87235909.00
Debited to P & L account	80762442.00	2939400.00

16. Employee Benefits: (As per AS – 15)

The data as provided by the actuarial report as at 31.03.2017, is as follows:

(a) Changes in the present value of obligations:

(Amount in Rs.)

Employee Benefits	Gratuity	Leave Encashment
Present value of obligation as at the beginning of the year	12,20,34,363	7,54,03,886
Interest cost	95,18,680	58,81,503
Current service cost	1,76,58,850	(22,84,968)
Past service cost for new optees	-	-
Benefits paid	(2,33,66,714)	(2,12,47,083)
Actuarial loss / gain on obligations	5,71,10,566	1,53,65,580
Present value of obligation at year end	18,29,55,745	7,31,18,918

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(b) Changes in the fair value of plan assets:

Employee Benefits	Gratuity	Leave Encashment
Fair value of Plan Assets at the beginning of the year	13,11,57,652	4,94,58,193
Acquisition Adjustments	-	-
Expected Return on Plan Assets	-	-
Employer's contribution	-	-
Benefits paid	-	-
Actuarial loss / gain on obligations	-	-
Fair value of Plan assets at the end of the year	12,73,74,394	7,87,45,394

(c) Amount recognized in Balance Sheet:

Employee Benefits	Gratuity	Leave Encashment
Estimated Present value of obligations as at the end of the year	18,29,55,745	7,31,18,918
Fair value of plan assets as at the end of the year	12,73,74,394	7,87,45,394
Net liability recognized in Balance Sheet	(5,55,81,351)	56,26,476

(d) Expenses recognized in Profit & Loss Account:

	Gratuity	Leave Encashment
Current service cost	1,76,58,850	(22,84,968)
Past service cost for new optees	-	-
Interest cost	95,18,680	58,81,503
Expected return on plan assets	-	-
Net actuarial (Gain) / Loss recognized in the year	5,71,10,566	1,53,65,580
Total expenses to be recognized in Profit & Loss account / contributed to funds	8,42,88,096	1,89,62,115
Total Expenses recognized in profit & loss account/ contributed to funds	5,55,81,351	1,89,62,115

(e) Principal actuarial assumption at the Balance Sheet date:

Actuarial Assumptions	Gratuity	Leave Encashment
Discount rate	7.40%	7.40%
Expected rate of return on plan assets	0.00%	0.00%
Expected rate of salary increase	4%	4%
Method used	Projected unit credit	Projected unit credit

(a) As per the Actuarial valuation, there is deficit in the Group Gratuity Fund to an extent of Rs.5,55,81,351/- and as there is requirement to augment the fund, provision to the said extent, is made by the Bank;

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(b) As per the Actuarial valuation, there is a deficit of Rs.1,89,62,115/- under the Group Leave Encashment Fund. As the said Fund is to be augmented by the like sum, an amount of Rs.1,89,62,115/- was provided for during the year 2016-17, against which payment would be made to LIC within the stipulated time.

(f) Other long-term employee's benefits:

Consequent to bifurcation, the provision for unclaimed sick leave was divided between both the Banks and an amount of Rs.1,42,20,918/- is passed on to the TSCAB.

The TSCAB secured the Actuarial Valuation of Sick Leave liability for its employees as at 31.03.2017 under AS-15 (revised).

The Actuarial Valuation for the Sick Leave to be provided in the accounts, assuming future availment at the same rates with a salary escalation of 4% p.a. under Projected Unit Credit Method, is estimated to be Rs.3,95,56,252/-.

Accordingly, the Bank provided for an amount of Rs.2,22,62,854/- during the year.

Sick leaves:

(Amt in Rs.)	
Liability as on 01.04.2016	1,72,93,398.00
Liability as on 31.03.2017	3,95,56,252.00
Amount debited to Profit & Loss	2,22,62,854.00

17. SEGMENT REPORTING

Business Segment

Segment wise Results			
	Business Segment	2015-16	2016-17
1	Segment Revenue		
	(a) Treasury	2134488192.88	1876363142.31
	(b) Other Banking Operations	2608557581.40	3134887677.44
	Total	4743045774.28	5011250819.75
	Less: Inter Segment Revenue	-	-
	Income from Operations	4743045774.28	5011250819.75
2	Segment Results		
	(a) Treasury	66656000.00	214761000.00
	(b) Other Banking Operations	219345318.39	375860078.17
	Total	286001318.39	590621078.17
	Less: Other Un-allocable expenditure	7938544.88	32810854.00
	Total Profit Before Tax	278062773.51	557810224.17
	Income Tax and Other Taxes Paid	108339400.00	292262442.00
	Net Profit	169723373.51	265547782.17
3	Segment Assets		

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	(a) Treasury	28653421797.50	28134953520.54
	(b) Other Banking Operations	44799727889.79	48928301077.31
	Total	73453149687.29	77063254597.85
4	Segment Liabilities		
	(a) Treasury	0.00	0.00
	(b) Other Banking Operations	35111525326.95	37289879572.80
	Other Un-Allocable Liabilities (deposits)	32534139223.10	34243845351.64
	Total	67645664550.05	71533724924.44
	Capital & Reserves	5817485137.24	5529529673.41
	Total Liabilities	73463149687.29	77063254597.85

The Bank operates only in one geography that is in India, hence there is only one geographical segment.

18. Related Party Disclosure:

The following are the related parties:

S. no	Name of the Party	Relationship
1	Adilabad DCCB	Major Share holder
2	Hyderabad DCCB	Major Share holder
3	Karimnagar DCCB	Major Share holder
4	Khammam DCCB	Major Share holder
5	Mahabubnagar DCCB	Major Share holder
6	Medak DCCB	Major Share holder
7	Nalgonda DCCB	Major Share holder
8	Nizamabad DCCB	Major Share holder
9	Warangal DCCB	Major Share holder
10	Sri. K. Ravinder Rao	President.
11	Dr. N. Muralidhar	Managing Director.

Transactions between the Bank and the District Central Co-operative Banks (Sl. No 1 to 9) being sensitive and confidential in nature, the same are not disclosed.

Transactions with related parties during the year 2016-17

S. no	Name	Relationship	Nature of Transaction	Amount in Rs.
1	Mr. K. Ravinder Rao	President	Honorarium, HRA and sitting fee	1340000.00
2	Dr. N. Muralidhar	Managing Director	Remuneration (inclusive of wage revision arrears)	3419871.00

19. RBI has accorded

A) Approval to treat the property at Putlibowli, Hyderabad at as the Banking Asset

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B) Extension of time to dispose of the non-banking asset at Karimnagar up to December 31, 2017. Vide its letter no. DCBS [H]/Co-op/1154/05.04.2008/2015-2016 Dated: 30.12.2015.

20. The amounts payable to government of Telangana State are subject to reconciliation and confirmation.

As per the records of the bank, an amount of Rs.59,21,54,457.85 is payable by TSCAB to the Government of Telangana which is kept pending as claims preferred by the bank amounting to Rs.319,88,80,545.73 (accounted in the books of account only to an extent of Rs.18,10,45,460.00) are yet to be received from the Government of Telangana.

Out of the amount receivable from the Government, an amount of Rs.301,78,35,085.73 not accounted in the books of the bank) is payable to various DCCBs against the claims made by them.

21. Consequent to the general body resolution to re-organize/re-constitute the unified APCOB, one writ petition was filed in the Hon'ble high court in March 2015, against the bifurcation of APCOB and the case is pending as on date.

22. Figures of the previous year have been regrouped wherever necessary.

For Telangana State Cooperative Apex Bank Limited

In terms of our report attached
For S.R. Mohan & Co.
Chartered Accountants
(FRN.002111S)

Sd/-
Managing Director
(Dr.N.Muralidhar)

Sd/-
President
(K.Ravinder Rao)

Sd/-
Director
(K.Veera Reddy)

Sd/-
Director
(M. Sreenivasulu Reddy)
Prof.Director / Sub. Expert (Acctcy)

Sd/-
(G.Jagadeswara Rao)
Partner
M.No. 021361

Sd/-
General Manager
(Bkg.)
(Manzoor Ghousia)

Sd/-
General Manager
(DoS.)
(T. Jyothi)

Place: Hyderabad
Date :01.06.2017