

**BANK OF MAHARASHTRA**

(Wholly owned by Government of India)

Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

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**PUBLIC ISSUE OF 10,00,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT
PREMIUM OF RS. 13 PER SHARE I.E. AT A PRICE OF RS. 23 PER SHARE
AGGREGATING TO RS. 230 CRORES**

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the Bank, there has been no formal market for the equity shares of the Bank. The Issue Price (as has been determined and justified by the Lead Manager and the Issuer as stated under "Basis of Issue Price" on page no. 70) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the equity shares of the Bank nor regarding the price at which the equity shares will be traded after listing.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this Document.

The attention of Investors is drawn to the statement of Risk Factors on page no. i of the Offer Document.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Offer Document is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The equity shares of the Bank are proposed to be listed on The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Ltd. (NSE) and the "in-principle" approvals for listing from The Stock Exchange, Mumbai, and the National Stock Exchange of India Ltd have been received on February 5th, 2004. *The Stock Exchange, Mumbai will be the Designated Stock Exchange.*

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ABBREVIATIONS

AIFM	Accounts Investments & Funds Management
AJGB	Aurangabad Jalna Gramin Bank
ALCO	Asset-Liability Management Committee
AS	Accounting Standard
ATM	Automated Teller Machine
BIS	Bank for International Settlements
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CBDT	Central Board of Direct Taxes
CBS	Core Banking Solution
CDSL	Central Depository Services (India) Ltd.
CMD	Chairman & Managing Director
COD	Committee on Disputes
CREAM	Credit Administration and Monitoring System
CRR	Cash Reserve Ratio
Designated Stock Exchange	In terms of SEBI DIP Guidelines, 2000 "Designated Stock Exchange" means a stock exchange on which securities of the company are listed or proposed to be listed and which is chosen by the Bank for purposes of a particular issue under these guidelines. The Stock Exchange, Mumbai (BSE) will be the Designated Stock Exchange for the purpose.
DICGC	Deposit Insurance and Credit Guarantee Corporation of India Limited
DP	Depository Participant
DRT	Debt Recovery Tribunal
ECGC	Export Credit Guarantee Corporation of India Limited
ECS	Electronic Clearing Services
ED	Executive Director
EFT	Electronic Funds Transfer
EPS	Earning Per Share
FCNR (B)	Foreign Currency Non Resident Account
FEDAI	Foreign Exchange Dealers Association of India
FIs	Financial Institutions
FII	Foreign Institutional Investors
FRA	Forward Rate Agreement
FY	Financial Year
Gol	Government of India/ Central Government
HUF	Hindu Undivided Family



IBR	Inter Branch Reconciliation
ICD	Inter-Corporate Deposits
IDRBT	Institute for Development & Research in Banking Technology
INR	Indian National Rupee
IRS	Interest Rate Swap
Issue	Public Issue of 10,00,00,000 equity shares of Rs. 10/- each for cash at premium of Rs. 13 per share i.e. at a price of Rs. 23 per share aggregating to Rs. 230 Crores.
IT	Information Technology
INFINET	Indian Financial Network
KVP	Kisan Vikas Patra
L/C	Letter of Credit
ITAT	Income Tax Appellate Tribunal
MeM	Magic e-Money Ltd.
METCO	The Maharashtra Executor & Trustee Company Private Limited
MGB	Marathawada Gramin Bank
MoF	Ministry of Finance
MP	Management Proposals to address the risks
MPBF	Maximum Permissible Bank Finance
NHB	National Housing Bank
NABARD	National Bank for Agricultural and Rural Development
NAV	Net Asset Value
NBFC	Non Banking Finance Company
NDTL	Net Demand and Time Liabilities
NI Act	Negotiable Instruments Act
NPAs	Non- Performing Assets
NRE	Non Resident External
NRNR	Non Resident Non-Repatriable
NRO	Non Resident Ordinary
NRIs	Non Resident Indians
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Ltd.
OCBs	Overseas Corporate Bodies
PAN	Permanent Account Number
P/E	Price to Earnings Ratio
PLR	Prime Lending Rate
RBI	Reserve Bank of India



ROANW	Return on Average Net Worth
RRB/RRBs	Regional Rural Bank
RTGS	Real Time Gross Settlement
SEBI	The Securities and Exchange Board of India
SLR	Statutory Liquidity Ratio
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SFMS	Structured Financial Messaging System
SSI	Small Scale Industries
SWIFT	Society for Worldwide Inter Bank Financial Telecommunication
TDS	Tax Deducted at Source
The Bank/ Issuer/ BoM	Bank of Maharashtra
The Bank Nationalisation Act	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 as amended in 1980,1994,1995 & 1996
The Board	The Board of Directors of the Bank
The BR Act	The Banking Regulation Act, 1949 (Amended)
The Companies Act	Companies Act, 1956 (Amended)
The IT Act	Income Tax Act, 1961 (Amended)
VRS	Voluntary Retirement Scheme
VSAT	Very Small Aperture Terminal
TGB	Thane Gramin Bank
YOY	Year on Year
YTM	Yield to Maturity

IMPORTANT NOTE: The accounting and financial information and ratios mentioned in the Offer Document are based on Auditor's Report dated November 29th, 2003. Auditors have adjusted changes in accounting policies, changes arising out of Audit Qualifications and for the adjustments relating to previous years. Therefore, Accounting & Financial information and ratios may not match with the published annual reports of the Bank.



RISK FACTORS, MANAGEMENT PROPOSALS (MP) THEREOF & NOTES TO RISK FACTORS

The following are certain considerations, which the investors should specifically peruse through before taking an investment decision in the offer. In some of the risk factors and their management proposals, reference page numbers have been provided, which can be used to obtain more details about the said risk.

Internal Risk Factors

1. The net profit of the Bank increased from Rs. 145.41 crores as on March 31st, 2002 to Rs. 222.02 crores as on March 31st, 2003, which may not be sustainable in future.

MP: The growth of profit was on account of increase in profit on sale of investments by Rs. 48.94 crores; and improvement in spread by Rs. 89.53 crores. There was a notional appreciation of Rs. 995.12 crores in the investment portfolio as on March 31st, 2003, justifying the quantum of profit booked by sale of investments.

2. The total contingent liability of Rs. 6,979.51 crores as on March 31st, 2003, other than those mentioned under risk factor 16 regarding outstanding litigations, consists of claims against the Bank not acknowledged as debts of Rs. 89.75 crores, liability on account of outstanding forward exchange contracts of Rs. 5,362.77 crores, Guarantees on behalf of constituents of Rs. 1,221.75 crores, acceptances and endorsements and other obligations of Rs. 242.59 crores and other items for which Bank is contingently liable of Rs. 62.65 crores.

MP: The contingent liability is a part of the normal business of the Bank. The Bank follows prudent assessment policies in case of contingent exposures.

3. The Annual Financial Inspection (AFI) of RBI for March 31st, 2002 indicates certain divergence in asset classification, income recognition, provisioning, need for strengthening internal control systems, credit supervision, credit appraisal and all such shortcomings in other areas. For further details investors can refer to page no. 53 of this Offer Document.

MP: The Bank has taken necessary steps for compliance in this regard and made necessary provision for the year-ended March 31st, 2003. Due to difference in interpretation in case of 43 accounts, there was a short provision of Rs. 9.72 crores, which, the Bank has rectified by making additional provisions. The Bank is making concerted efforts to further strengthen the existing systems and procedures. The Bank has appraised RBI of the remedial measures taken, systems introduced and those under implementation.

4. The provisions & contingencies requirement has grown up from Rs. 269.63 crores as on March 31st, 2002 to Rs. 298.56 crores as on March 31st, 2003.

MP: The Bank has consciously made additional provisions on account of Income Tax, Non-Performing Assets and transition towards 90 days norms.

5. The gross NPA and net NPA as on March 31st, 2003 stood at 9.55% and 4.82% respectively, indicating the necessity to strengthen the credit portfolio. For further details investors may refer to the paragraph on Asset Classification, Income Recognition and Provisioning on Page no.39 of this Offer Document.

MP: The Bank is making progress to improve the quality of assets and reduce the NPA levels. The gross NPA and net NPA came down from 12.35% and 7.41% respectively as on March 31st, 2001 to 9.55% and 4.82% as on March 31st, 2003, which is almost in line with the average of 9.36% and 4.54% of all the Public Sector Banks. The Bank has reduced NPAs by Rs.216.33 crores during the year 2002-03. The Bank has a comprehensive recovery management policy in place.

6. The top 10 clients had accounted for around 30% of the total advances of the Bank as on March 31st, 2003. This could affect the overall performance of the Bank in case of default by any one or more such account.

MP: All the 10 accounts referred to above are under "Standard category" as on March 31st, 2003, and these also include food credit, which constitutes 10.13%, which is lent to GOI. The top ten clients (excluding the credit to Government) account for 20.69% of the total advances of the Bank as on March 31st, 2003 and all the top ten accounts are in 'Standard Category as on March 31st, 2003. The Bank has put in place a well-conceived Credit Policy to ensure proper selection, processing and follow up of all accounts. Adequate securities are



obtained to protect the Bank's interest

7. One of the three Regional Rural Banks (RRBs) sponsored by the Bank i.e. Marathwada Gramin Bank has accumulated losses aggregating to Rs. 64.51 crores as on March 31st, 2003

MP: Bank of Maharashtra has sponsored RRBs jointly with the Central government and State Government. The Central Government, State Government and Bank of Maharashtra have contributed 50%, 15% and 35% respectively towards capital of RRBs. It has a large network of 240 branches spread over 6 districts in Maharashtra with a deposit and advances base of Rs. 508.57 crores and Rs. 153.36 crores respectively as on March 31st, 2003. The Bank has framed a strategy to enable the RRBs to reduce the accumulated losses. As on September 30th, 2003, the RRBs has posted an operating profit of Rs. 1.36 crores as against the operating loss of Rs. 4.25 crores on September 30th, 2002.

8. The Asset Liability Statement as on March 31st, 2003 indicates certain mismatches with highest negative mismatch in the time period of over 5 years at (-) 19% of outflows.

MP: Nearly 86% of the outflows in the period of over 5 years are Term deposits. During the year 2002 nearly 71% of the term deposits are getting renewed on maturity and hence no liquidity problems are visualised. The Bank has not collected data afterwards for this purpose from its branches. Since 1999, the Bank has implemented the Asset Liability Management system to systematically quantify and to manage various risks. The mismatches indicated in the ALM statement as on March 31st, 2003 are within the tolerance limit prescribed by RBI and the Board. The RBI prescribed tolerance limit for negative mismatch in the time buckets of 1-14 days and 15-28 days shall be within 20% of outflow. Further the Bank has adequate excess liquid investments to meet any unforeseen liquidity problems.

9. The working Group set up by the RBI in consultation with the Government of India, under the chairmanship of Shri. M. S. Verma had assessed the banks' strengths/weaknesses based on seven parameters, under three major areas namely solvency, earning capacity and profitability.

The Verma Committee had grouped Bank of Maharashtra under "Category 2" (Banks where some of the parameters are not met) for the years 1998 and 1999 for complying with capital adequacy and non-compliance with three or four of the remaining efficiency parameters. For further details investors may refer to page no. 67.

MP: The Verma Committee Report is with respect to the years 1998-99. The Bank has made progress in business growth since March 31st, 1999. The profits and reserves level have considerably improved since then and the Bank has reported net profits of Rs. 222.02 crores as on March 31st, 2003.

10. The risk associated with the management of credit portfolio, like default in payment, concentration risk, changes in internal/ external policies, etc.

MP: The Bank has framed a Risk Management policy and has constituted the Credit Policy Committee to effectively implement the Bank's loan policy and formulate policies on standards for presentation of credit proposals, financial covenants, delegation of approving powers, standards for loan collateral, loan pricing, loan provisioning, etc. The Loan Policy contains prudential limits on various aspects of credit exposure and management.

The Bank has also set up an Approval Grid at Central Office and all Regional Offices with a view to obtain preliminary clearance on credit proposals from the risk perception.

11. The Bank has wide spread network, which could create problems in total mechanisation of the entire operations.

MP: More than 90% of the Bank's business is already performed on a computerised platform. The Bank has introduced the "Nodal Cell" Concept to capture the business details of rural branches. An IT Training Institute has also been established to sharpen the knowledge and skills of all employees in the technology related areas.



12. In the declining interest rate regime, the ability of the Bank to reduce operating expenses and improve the non – interest income may not be sustainable.

MP: Various measures are initiated by the Bank to control the operating expenses. Bank came out with the VRS (Voluntary Retirement Scheme) for its employees in 2000-2001 and 1876 employees had opted for VRS. The positive impact of VRS on operating expenses will be long term in nature. Further, the Bank's non-interest income has increased by Rs. 53 crores during 2002-2003 and the Bank has identified improvement in non-interest income as one of the thrust areas in the business plan, in addition to mobilising low cost deposits.

13. 84.79 % of the Term Deposits as on March 31st, 2003 are due to mature within 3 years. The Bank may suffer from Asset Liability mismatch if a significant portion of these deposits is not rolled over by the depositors.

MP: According to the normal behavioural pattern and past experience, a large portion of deposits gets rolled over. In addition there are also fresh accretion of deposits, which the Bank feels would mitigate the asset liability mismatches. Term deposits of the Bank have grown by 12.00% in FY 2002 and 19.47% in FY 2003. During the year 2002 nearly 71% of the term deposits are getting renewed on maturity. The Bank has not collected data afterwards for this purpose from its branches. The Bank has adequate excess liquid investments of Rs. 6589.64 crores as on September 30th, 2003 in the form of excess SLR investments to meet any unforeseen liquidity problems.

14. Nearly 76% of the branches are located in the Western part of India thereby exposing the Bank to the risk of regional concentration. Moreover, 46.84% of the total number of branches comprises of rural branches with limited potential for business growth.

MP: The regional presence of the Bank has not been a deterrent to the growth of business of the Bank. The total business levels have grown by 15.67% in 2002-2003, and deposits have posted a growth of 15.92% during the year 2002-2003. The deposits have grown at CAGR of 19.41 % during the last 5 years from Rs. 9134.30 crores as on March 31st, 1998 to Rs. 22175.75 crores on March 31st, 2003. The net advances of the Bank have increased from Rs. 3592.61 crores on March 31st, 1998 to Rs. 9508.14 crores on March 31st, 2003 posting growth at CAGR of 21.49 % in the last 5 years. The net profit of the Bank has also shown a rise from Rs. 51.89 crores on March 31st, 1999 to Rs. 222.02 crores on March 31st, 2003 in the last 4 years. The Bank is successfully endeavouring to open branches in other states as well as in other population areas other than rural so as to dilute the concentration risk.

15. The Bank could not achieve the stipulation of the export target of 12% of net bank credit and the stipulation of agricultural credit of 18% of net bank credit as per RBI directives for the years 1999, 2000, 2001, 2002 and 2003.

MP: The Bank is making efforts to achieve these targets. However the non-achievement of the target has no negative impact on the working results of the Bank.

16. As on March 31st, 2003, there are 180 cases filed against the Bank pertaining to business disputes, disputes with customers etc with aggregate claim of Rs. 60.23 crores. Out of these, the claim amount/ contingent liability exceeding Rs. 1 crore were 14 cases aggregating Rs. 52.24 crores. There are also 146 cases, as on November 30th, 2003, filed against the Bank by its employees for staff related matters. For details of these cases Investors are advised to refer to para on Outstanding Litigations on page no. 72 of the Offer Document

MP: The Bank is contesting the above-mentioned claims at the appropriate courts/forums.

17. As on October 31st, 2003, 26 proceedings against the Bank relating to disputed Income Tax amount of Rs. 58.05 crores and disputed Interest tax amount of Rs. 1.46 crores are pending in appeal with the Income Tax authorities.

MP: The Bank has already paid the income-tax demands of Rs. 58.05 crore and interest tax demand of Rs. 1.46 crore.

18. As on March 31st, 2003, in Marathwada Gramin Bank, one of the Regional Rural Banks sponsored by the Bank, there are 25 cases filed against the RRB by its employees, 4 cases filed by the RRB against its employees and 1 case filed in the Consumer Dispute Redressal Commission, Mumbai



MP: All the cases are contested at appropriate courts/forums by Marathwada Gramin Bank.

19. Lending Risks – The lending risk involves inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

MP: The Bank takes adequate care to minimise such risks by having a well-diversified credit portfolio. The Bank also follows a comprehensive project/ credit appraisal system and lending norms, which govern industry/client exposure. The Bank has put in place a comprehensive credit policy and credit rating system under which all the borrowal accounts of Rs. 2.00 lakhs and above are rated on various parameters and the risk is priced accordingly with a suitable mark up to PLR depending on the rating of each borrower. The Bank also has a comprehensive Risk Management Policy in place aimed at mitigating the credit risk.

20. Any future offering by the Bank may dilute the holdings of the allottees of the present Public Issue or may affect the market price of the shares of the Bank adversely.

External Risk Factors

1. The shareholders of the Bank do not have a right to receive dividend within 30 days as is available to companies under the Companies Act.

2. **Regulatory restrictions on the Bank and limitations of the powers of shareholders of the Bank**

There are a number of restrictions as per the Bank Nationalisation Act and Banking Regulations Act, which impede flexibility of the Bank's operations and affect/restrict investors' right. These are as under:

- (i) The Banks can carry on business/activities as specified in the Act. There is no flexibility to pursue profitable avenues if they arise, in contrast with companies under the Companies Act, where shareholders can amend the Objects Clause by a special resolution.
- (ii) In terms of Section 8 of The Banking Regulation Act, 1949, the Bank is prohibited from doing trading activity, which may act as an operational constraint.
- (iii) In terms of Section 17(1) of The Banking Regulation Act, 1949, every banking company shall create a Reserve Fund and shall, out of the balance of profit of each year as disclosed in the Profit & Loss a/c prepared under Section 29 and before any dividend is declared transfer to the Reserve Fund a sum equivalent to not less than twenty five percent of such profit.
- (iv) In terms of Section 19 of The Banking Regulation Act, 1949 there are some restrictions on the banking companies regarding opening of subsidiaries which may deny the Bank from exploiting emerging business opportunities.
- (v) In terms of Section 23 of The Banking Regulation Act, 1949 there are certain restrictions on the banking companies regarding opening of new place of business and transfer of existing place of business, which may hamper the operational flexibility of the Bank.
- (vi) In terms of Section 25 of The Banking Regulation Act, 1949 each banking company has to maintain assets in India which is not less than 75% of its demand and time liabilities in India which in turn may prohibit the Bank from creating overseas assets and exploiting overseas business opportunities.
- (vii) There are restrictions in the Banking Regulation Act regarding,
 - a) Management of a bank including appointment of directors
 - b) Borrowings and creation of floating charge thereby hampering leverage. Banks may have to resort to unsecured debt instruments for borrowings.
 - c) Expansion of business as the branches need to be licensed
 - d) Disclosures in the profit & loss account and balance sheet
 - e) Production of documents and availability of records for inspection by shareholders
 - f) Reconstruction of banks through amalgamation



g) Further issues of capital including issue of bonus shares/rights shares for which prior MoF/RBI approval is required

(viii) Various rights/powers of shareholders available under the Companies Act in this behalf are not available to the shareholders of the banks. These rights include rights such as calling for general meetings, inspection of minutes and other material records, application for relief in cases of oppression and mismanagement, voluntary winding up etc.

(ix) As per Section 3 (2E) of the Bank Nationalisation Act, "no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank".

(x) No banking company shall pay dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses and any other item not represented by tangible assets) have been completely written off. The Bank has received an exemption from Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) vide gazette notification F. No. 11/19/2001-BOA dated January 27th, 2004 from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years from the date of the notification.

3. Sensitivity to the economy and extraneous factors

The Bank's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and business & consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Bank including the quality and growth of its assets.

4. Competition from existing and new Commercial Banks

Competition in the financial sector has increased with the entry of new players and is likely to increase further as a result of further deregulation in the financial sector. The Bank may face competition both in raising resources and in deploying them.

MP: The Bank has an established broad-based presence and has been taking steps to enhance customer satisfaction by upgrading skills, systems and technology to meet such challenges. The Bank is attempting to add quality assets on competitive terms. The Bank is also taking steps to broad base its product bouquet with a special emphasis on enhancement in the non-fund based income. On the resource-raising front, the Bank is actively endeavouring to broaden its reach and raise resources through its wide distribution network of 1288 branches including 12 service branches and 37 extension counters. The Bank is further backed by 67 years of banking experience with proven track record. For more details on the business environment of the Bank, investors are advised to refer to the para on 'Management Discussion and Analysis of Financial Results' on page no. 68.

5. Changes in regulatory Policies

Major changes in Government/ RBI policies relating to banking sector may have an impact on the operations of the Bank.

MP: The Policy changes may provide both opportunities and challenges for the Bank. The Bank has a long presence in the banking sector for more than 67 years and does not perceive policy changes to be a major threat.

6. Disintermediation in the financial markets:

Development of Capital Markets may result in disintermediation by current and potential borrowers whereby many companies may access the markets directly, thereby reducing their dependence on the Banking system.

MP: The Bank has, in recent years, launched several retail lending schemes so as to broaden its borrower base and distribute its risk concentration. Further, disintermediation brings with it the opportunity for the Bank to



expand its fee-based activities. The Bank has been endeavouring to develop a presence in several financial services to earn fee based income by focussing on businesses such as foreign exchange, treasury, investments, cash management, Bancassurance and depository participants, thus taking advantage of the disintermediation phenomenon.

7. Forex risk

Exchange Rate fluctuations may have an impact on the Bank's financial performance.

MP: As per RBI guidelines, banks are not allowed to keep open position on their foreign exchange transactions beyond prescribed limits on a daily basis. Foreign exchange transactions beyond such limits, if any, must be squared off at the end of each day. Hence, the risk from exchange rate fluctuations is minimised. The Board of Directors of the Bank has also prescribed limits for gaps or mismatches in maturities of Bank's foreign currency assets & liabilities and forward transactions in foreign exchange. The Bank operates within the limits fixed for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange, thus minimising the risks of mismatches in maturities and interest rates.

8. Interest rate risk

Interest rate volatility exposes the Bank to an interest rate risk or market risk. Such interest rate risk has a potential impact on net interest income or net interest margin as well as on the market value of the fixed income securities held by the Bank in its investment portfolio.

MP: These risks are inherent in the banking business. However, the Bank has put in place a system of regular review of lending and deposit rates in order to minimise the interest rate risk. The Corporate Risk Management Committee of the Bank reviews the risk on a regular basis. Continuous Risk Management measures are initiated depending upon the movement in the market interest rates. The movement in the interest rates is closely monitored for appropriate action. For more details on the Risk Management procedures, investors are advised to refer to para on Risk Management on page no. 52 of the Offer Document.

9. Operational Risk

Operational risk is a result of failure of operating system in a bank due to certain reasons like computer breakdowns, power disruptions, fraudulent activities, natural disaster, human error or omission or sabotage.

MP: For mitigating and controlling the operational risk, the Bank has established a well-established internal control system. Apart from that, the Bank also has a separate administrative structure to formulate, implement and monitor systems and procedures.

10. Financial Statements in the offer document

The financial statements and derived ratios therefrom contained in the Offer Document are prepared / computed as per the permissible accounting practices. The investors may want to make their own adjustments to the same before arriving at an investment decision in the offer.

MP: The financial statements and the derived ratios have been prepared in conformity to the extant guidelines and the same have been certified by the statutory auditors of the Bank. The Bank is also governed by the prudential norms of RBI for income recognition, Asset Classification and provisioning.

Notes to Risk Factors

1. Networth of the Bank as on March 31st, 2003 is Rs. 948.13 crores.
2. The present Initial Public Offering (IPO) of the Bank aggregates Rs. 230 crores.
3. The Book Value of the share as on March 31st, 2003 is Rs. 28.69 per share (face value of Rs.10/- per share)
4. Cost per share of the Bank to the Government of India is Rs. 10/-.
5. The shareholders of the Bank do not have a right to receive dividend within 30 days as is available to companies



under the Companies Act.

6. The financial information (Auditors Report) as contained in PART II of this Offer Document including the notes to accounts, significant accounting policies has been duly certified by the statutory auditors of the Bank. As far as possible, these audited numbers have been used for computation or derivation of other financial information contained in the Offer Document. However, such other financial information contained in the Offer Document, except as contained in Auditors Report under PART II has been certified by the management of the Bank.
7. The Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. The Bank is in dialogue with RBI in respect of observation made by RBI in their report for previous years. RBI does not allow disclosure of its inspection report and that all the disclosures in the Offer Document are on the basis of management and audit reports of the issuer.
8. Section 3 (2E) of the Bank Nationalisation Act provides that no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank.
9. Section 3(2B)(c) of the Bank Nationalisation Act provides that the paid-up capital may, from time to time, be increased by such amounts as the Board of Directors of the Bank may, after consultation with the RBI and with the previous sanction of the Central Government, raise by Public Issue of equity shares as may be prescribed, so however, that the Central Government, at all times, hold not less than fifty-one per cent of the paid-up capital of each of the Corresponding New Bank. The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2000 proposes to reduce the minimum stake of the Government from 51% to 33%.
10. Section 15 (1) of the Banking Regulation Act provides that no banking company shall pay dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

The Bank has received an exemption from Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) vide letter ref. F. No. 11/19/2001-BOA dated January 27th, 2004 from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years.

11. No person holding shares in the Bank in respect of any shares held by him can exercise voting rights on poll in excess of 1% of the total voting rights of all the shareholders of the Bank.
12. Some sections of the Offer Document such as Corporate Vision, Mission, Strategy, Loan Policy etc. may contain some qualitative forward-looking statements, which may not materialise in future. Investors are requested to exercise due discretion while pursuing such sections.
13. In the event of differences in the provisions of the Banking Companies Act (Acquisition and Transfer of Undertakings) Act 1980 and Companies Act on a given issue particularly with reference to shareholders rights, the former overrides the later.
14. In addition to the Lead Manager, the Bank is also obliged to update the Offer Document and keep the public informed of any material changes till listing and trading commences.
15. For the purposes of compliance with AS-4 regarding events occurring after Balance Sheet Date, the Bank certifies as under:
 - i) There are no contingencies save and except as disclosed in the Offer Document, the outcome of which might have material impact on the financial position of the Bank.
 - ii) There have been no significant material events that have occurred after the Balance Sheet date till the date of this Offer Document.



16. Transactions between Bank of Maharashtra and its subsidiaries and associates:

a) **Transactions between Bank of Maharashtra and the Maharashtra Executor & Trustee Company Pvt. Limited**

METCO is a 100% subsidiary of Bank of Maharashtra. The company is availing following limits from Bank of Maharashtra:

(Rs. in crores)

Particulars	Limit	Outstanding as on September 30 th , 2003
C.C	Nil	Nil
WCDL	Nil	Nil
Clean OD	Nil	Nil
Total Availed	Nil	Nil
Non-fund Based	Nil	Nil

Transactions between the Bank and METCO during the last 3 years

(Rs. in lakhs)

Year ended March 31 st	2001	2002	2003
Reimbursement of salary of officers of BOM	13.47	13.85	14.41
Fees received from BOM for work as Transfer Agent of Bank Tier II Bonds	—	0.30	0.65
Fees received from BOM for legal consultation for Bank Premises	—	—	1.31
Fees received from BOM for the work of VRS Bond Management	—	0.19	0.32

b) **Transactions between the Bank and Magic –eMoney Ltd.**

Magic –eMoney Ltd is a joint venture initiative of Bank of Maharashtra (BOM) with Next Step Infotech P. Ltd. (NSIPL), and Magic Software Enterprises (MSE) Israel. Dena Bank joined later as an equity partner. The Bank holds 30% equity stake in the Joint Venture without having any management control over the Company.

Particulars	During the year 2001-2002	During the year 2002-2003
Billing by Magic e Money Ltd for various Banking software/s	Rs. 150.36 lakhs	Rs. 113.89 lakhs
CEO's Salary reimbursed to Bank of Maharashtra	Rs. 2.81 lakhs	Rs. 3.10 lakhs.
Receipt of dividends	Rs.1.50 lakhs	Nil



c. Transactions between the Bank and RRBs during the last three years :

1. Aurangabad Jalna Gramin Bank:

(Rs. In Lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank	4640	5025	4875
Interest earned on deposits kept with Sponsor Bank.	299	431	504
Balance in Current Account with sponsored Bank	203	186	175
Remuneration paid to Officers on deputation to RRBs by sponsor bank	7	7	6
Share Capital	35	35	35
Share capital deposit	232	232	232
Investment in Tier II bonds of sponsor Bank	—	—	200
Interest earned on Tier II bonds	—	—	0.07
Refinance outstanding from Sponsor bank	715	825	—
Interest paid on refinance	78	49	67

2. Thane Gramin Bank:

(Rs. In Lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank			
a. In current account	58.38	28.19	33.55
b. Other deposits	1933.00	2778.00	2014.00
Interest earned on deposits			
a. Current Accounts	2.23	2.30	Nil
b. On Other Deposits	217.43	242.84	275.39
Remuneration paid to officers on deputation from sponsor Bank	6.39	6.44	7.78
Deposits from sponsor Bank as share capital, share capital deposit	85.67	85.67	85.67
Investment in Tier II Bonds of sponsor Bank	Nil	Nil	50.00
Interest earned on investment	Nil	Nil	0.04



3. Marathwada Gramin Bank:

(Rs. In Lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank			
a. In current account	393.24	508.33	351.39
b. Other deposits	14475.00	14950.00	6850.00
Interest earned on deposits	1471.03	1638.73	1213.66
Remuneration paid to employees on deputation from sponsor Bank	7.87	6.49	8.65
Deposits from sponsor Bank as Share Capital including share capital deposit	657.86	657.86	657.86
Investment in Tier II Bonds of sponsor Bank	—	—	200.00
Interest earned on Tier II Bonds	—	—	—
Refinance outstanding from sponsor Bank	1440.79	198.62	—
Interest paid on refinance during the year	114.81	121.29	2.52

HIGHLIGHTS

1. The Bank is a professionally managed organisation with a track record of operations of over 67 years.
2. The Bank offers a wide range of banking services, which include corporate and personal banking, industrial finance, agricultural finance, financing of trade and international banking.
3. Capital adequacy ratio is 12.05% as on March 31st, 2003 against the RBI prescribed minimum of 9%.
4. The net asset value of the Bank's share as on March 31st, 2003 is Rs. 28.69 per share
5. The Bank has a large network of branches spread throughout the country enabling it to raise cheaper funds. The domestic network of the Bank stood at 1288 offices as on September 30th, 2003, which included 1251 branches and 37 extension counters. The Bank has also opened specialised branches to cater to the needs of corporate and industrial finance, international banking, hi-tech agricultural finance, personal banking and small-scale industries.
6. The Bank has an integrated treasury capable of handling all transactions in forex, debt and money markets.
7. The Bank has set up training colleges at Pune and training centres at Mumbai, Nagpur and Aurangabad to impart training to its employees. The Bank has also set up an exclusive training college for imparting training on information technology.
8. Bank has set up a separate Information Technology training institute, first of its kind in banking industry, and imparts computer training to their staff to be in line with latest computer technologies.
9. Consistent deposit growth – Deposits have grown by a CAGR of 19.41% during the last 5 years.
10. Consistent advance growth – Advances have grown by a CAGR of 21.49% during the last 5 years.
11. A well-diversified credit portfolio – As on March 31st, 2003, maximum exposure to any single borrower (excluding Food Credit) does not exceed 3.68% of total advances of the Bank. As on March 31st, 2003 exposure to a single group does not exceed 1.08% of gross advances.
12. 90.45 % of the Assets are classified as Standard Assets as on March 31st, 2003
13. Bank has computerised about 92.24% of its total business and has 45 ATMs as on March 31st, 2003.



BANK OF MAHARASHTRA

(Wholly owned by Government of India)

Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

Head Office: Lokmangal, 1501, Shivajinagar, Pune – 411 005

Telephone: (020) 2553 2728/2553 2733–35; Fax: (020) 2553 3246

e-mail: ipo@mahabank.co.in; Website: www.maharashtrabank.com

Public Issue of 10,00,00,000 equity shares of Rs. 10/- each for cash at premium of Rs. 13 per share i.e. at a price of Rs. 23 per share aggregating to Rs. 230 Crores.

PART I

I. GENERAL INFORMATION

Bank of Maharashtra (hereinafter referred to as “BoM” or “the Bank”) has been constituted as a corresponding new bank under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

The Bank is offering 10,00,00,000 equity shares of Rs. 10/- each for cash at premium of Rs. 13 per share i.e. at a price of Rs. 23 per share aggregating to Rs. 230 Crores. (including reservation of 1,00,00,000 equity shares of Rs. 10/- each for cash at premium of Rs. 13 per share i.e. at a price of Rs. 23 per share aggregating to Rs. 23 Crores. for the permanent/ regular employees and Working Directors of the Bank).

AUTHORITY FOR THE PRESENT ISSUE

The issue of equity shares is being made pursuant to the sanction of Government of India (GoI) in consultation with the Reserve Bank of India (RBI) vide its letter no. F. No. 11/19/2001 - BOA dated 26th December, 2003, under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, as amended and the Resolution passed at the meeting of the Board of Directors of the Bank, held on October 20th, 2003.

It is to be distinctly understood that the sanction/ approval of the GoI and RBI should not in any way, be deemed or construed that the Offer Document has been cleared or approved by them nor do they take any responsibility either for the financial soundness of the Bank or the correctness of the statements made or opinions expressed in the Offer Document.

The Bank can undertake the activities proposed by it in view of the present approvals, and no further approvals from any Government authority are required by the Bank to undertake the proposed activities.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS OFFER DOCUMENT HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (HEREINAFTER REFERRED TO AS SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MANAGER, SBI CAPITAL MARKETS LTD, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, SBI CAPITAL MARKETS LTD, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 20TH, 2004 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS :

“(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH EMPLOYEES / EX-EMPLOYEES ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE;



(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE BANK,

WE CONFIRM THAT:

- (A) THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - (B) ALL LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - (C) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE OFFER DOCUMENT ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID."

FILING OF THE OFFER DOCUMENT WITH SEBI DOES NOT, HOWEVER ABSOLVE THE BANK FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSES OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME; WITH THE LEAD MANAGER (S) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

The Lead Manager has issued a fresh due diligence certificate dated February 12th, 2004, which reiterates the statements made in the above referred certificate and states that all observations made by SEBI vide letter no. CFD/DIL/UR/2910/2004 dated February 11th, 2004, have been incorporated in the Offer Document.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (BSE)

The Stock Exchange, Mumbai ('BSE') has given, vide its letter dated February 5th, 2004, permission to the Bank to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Bank's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank. The Exchange does not in any manner –

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
2. warrant that this Bank's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this Bank, promoters, management or any scheme or project of this Bank;

And it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

"As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given, vide its letter dated February 5th, 2004, permission to the Issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document, nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other



soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claims against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever."

DISCLAIMER IN RESPECT OF JURISDICTION

This offer is made in India to persons resident in India and to NRIs on a non-repatriation basis. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Disputes arising out of this Issue shall be subject to the jurisdiction of Court(s) in India.

GENERAL DISCLAIMER

The Bank accepts no responsibility for statements made otherwise than in the Offer Document or in the advertisements or any other material issued by or at the instance of the Bank and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

FILING OF THE OFFER DOCUMENT

The Draft Offer Document was filed with SEBI on January 20th, 2004 at Mumbai. A copy of this Offer Document, having attached thereto the 'Material Contracts & Documents' referred to at page no. 124 in the Offer Document, has been delivered for registration to the Stock Exchange, Mumbai and National Stock Exchange. The Bank has also incorporated the comments given by SEBI before filing the Offer Document with the said Stock Exchanges. A complete copy of 'Material Contracts & Documents' has been kept open for public inspection at the Head Office of the Bank. The Lead Managers and the Bank shall make all information available to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Also, The Bank and the Lead Manager are obliged to update the Offer Document and keep the public informed of any material changes till the listing and commencement of trading.

It should be noted that submission of Offer Document to SEBI should not be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for financial soundness of any scheme or the project for which issue is proposed to be made or for correctness of statements made or opinions expressed in the Offer Document.

All the legal requirements applicable till filing of Offer Document with Stock Exchanges have been complied with.

LISTING

The equity shares of the Bank are proposed to be listed on The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Ltd. (NSE) and the "in-principle" approvals for listing from the Stock Exchange, Mumbai, and the National Stock Exchange of India Ltd have been received on February 5th, 2004.

The Bank shall comply with the requirements of the listing agreement to the extent applicable to it on a continuous basis.

If the permissions to deal in and for an official quotation of the equity shares are not granted by any of the Stock Exchanges, the Bank shall forthwith repay, without interest, all such moneys received from the applicants in pursuance of this Offer Document. If such money is not repaid within eight days after the Bank becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closing of the subscription list, whichever is earlier), then the Bank will be liable to repay the money, with interest, as prescribed under Section 73 of the Companies Act.

ELIGIBILITY OF THE BANK TO COME OUT WITH THE PUBLIC ISSUE

The SEBI (Disclosure and Investor Protection) Guidelines, 2000 prescribe eligibility norms for a company to list its shares. Clause 2.2 of the Guidelines specifies the eligibility requirements for Public Issue by Unlisted Company. Clause 2.4.1, however, exempts a banking company from these requirements. Hence in terms of Clause 2.4.1, the Bank is eligible to come out with Public Issue. The Bank has received necessary approval for making the Issue through the fixed price route.



PROHIBITION BY SEBI

The Bank, its associates and companies with which the directors of the Bank are associated as directors or promoters are not prohibited from accessing the capital market under any order or directions passed by SEBI.

ISSUE OF SHARES IN DEMATERIALIZED FORMAT

The Bank has entered into a tripartite agreement with NSDL and CDSL for dematerialisation of shares for the existing/proposed shareholders. The Bank has also given an option to the subscribers / shareholders / investors to receive the share certificates in physical form or in the demat form.

IMPERSONATION

As a matter of abundant caution, the attention of the investor is drawn to the provision of Section 68 (A) of the Companies Act, 1956, reproduced below:

“Any person who

- (a) makes in a fictitious name an application to the Bank for acquiring or subscribing for any shares therein; or*
- (b) otherwise induces the Bank to allot or register any transfer of shares therein to him or any other person in a fictitious name*

shall be punishable with imprisonment for a term which may extend to five years”, as applicable under the provisions of law.

MINIMUM SUBSCRIPTION

If the Bank does not receive the minimum subscription of 90% of the issue amount, on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Bank shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the Bank becomes liable to pay the amount, the Bank shall pay interest as per Section 73 of the Companies Act, 1956.

LETTERS OF ALLOTMENT/ SHARE CERTIFICATES/ REFUND ORDERS

Letters of Allotment/ Share Certificates or Refund Orders, as the case may be, will be despatched by Registered Post or as per extant postal rules at the sole risk of the applicant to the sole/ first applicant within thirty days from the date of closing of the subscription list. In accordance with the extant postal rules the Bank will ensure dispatch of refund orders of value up to Rs. 1500/- under Certificate of Posting and refund orders of value above Rs. 1500/- by registered/speed post only and adequate funds for the purpose shall be made available to the Registrars by the Bank.

Further,

- a) as far as possible allotment of the equity shares shall be made within 30 days of the closure of the Issue; and
- b) the Bank shall pay interest at the rate of 15% per annum if the allotment has not been made and/or the Letters of Allotment/ Refund Orders have not been despatched to the investors within 30 days from the date of the closure of the Issue, for the delayed period beyond 30 days.

The Bank will provide adequate funds to the Registrars to the Issue, for the purpose of despatch of Letter(s) of Allotment/ Share Certificate(s)/ Letter(s) of Regret/ Refund Order(s). Despatch of share certificates/refund orders/ and demat credit would be completed and allotment and listing documents shall be submitted to the Stock Exchanges within 2 working days of finalisation of the basis of allotment. Formalities pertaining to listing and trading of the securities offered through this offer document shall be completed at all Stock Exchanges where they are proposed to be listed within 7 working days of date of finalisation of the basis of allotment. The Bank shall ensure that ‘at par’ arrangement is provided for encashment facility on all refund orders.

DENOMINATION OF SHARES

The Bank undertakes that at any given time, there shall be only one denomination for the shares of the Bank and that the Bank shall comply with such disclosures and accounting norms specified by SEBI from time to time.



OVERSUBSCRIPTION

In the event of the present Issue of equity shares being oversubscribed, the basis of allotment will be finalised in consultation with the Designated Stock Exchange.

ISSUE PROGRAMME

The subscription list will open at the commencement of banking hours and will close at the closure of banking hours on the dates mentioned below:

ISSUE OPENS ON	: WEDNESDAY FEBRUARY 25TH, 2004
ISSUE CLOSES ON	: THURSDAY MARCH 4TH, 2004

ISSUE MANAGEMENT TEAM

Lead Managers to the Issue

SBI CAPITAL MARKETS LTD.

202, Maker Tower 'E', Cuffe Parade
Mumbai – 400 005
Tel: (022) 2218 9166,
Fax: (022) 2218 8332
Email: bom.ipo@sbicaps.com

KOTAK MAHINDRA CAPITAL COMPANY LIMITED

Bakhtawar, 3rd Floor,
229, Nariman Point,
Mumbai – 400 021
Tel: (022) 5634 1100
Fax: (022) 2282 6632
Email: bom.ipo@kotak.com

ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED

801, Dalalal Towers,
Nariman Point,
Mumbai – 400 021
Tel: (022) 5638 1874/1962
Fax: (022) 2284 6824
Email: bomipo@enam.com

A. K. CAPITAL SERVICES LIMITED

135 & 136, 13th Floor, Free Press House,
Free Press Journal Marg,
215, Nariman Point, Mumbai 400 021
Tel: (022) 5634 9300,
Fax: (022) 5636 0977
Email: akcap@bom9.vsnl.net.in

ALLIANZ SECURITIES LIMITED

2nd floor, 3, Scindia House,
Janpath, New Delhi – 110 001
Tel: (011) 5151 4666 - 669,
Fax: (011) 5151 4665
Email: ipo@aslfinancial.com



STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES

ACTIVITIES		RESPONSIBILITY	CO-ORDINATOR
1.	Capital Structure with the relative components and formalities such as composition of debt and equity, type of instruments.	SBICAP	SBICAP
2.	Drafting and design of Offer Document and of Statutory Advertisement. The designated Lead Manager shall ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange and SEBI.	SBICAP	SBICAP
3.	Drafting and approval of all publicity material other than the Statutory Advertisement as per SEBI Guidelines.	KMCC	KMCC
4.	Selection of various agencies connected with the issue, namely: i) Registrars to issue ii) Printers iii) Advertising agencies	SBICAP	SBICAP
5.	Marketing of the issue, which will cover, inter-alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of ad media.	SBICAP ENAM KOTAK AKCAPS ALLIANZ	Retail Investors: ENAM Institutional Investors: KMCC
6.	Distribution of publicity and issue material including application form, prospectus and brochure and deciding on the quantum of the issue material.	SBICAP ENAM KOTAK AKCAPS ALLIANZ	ENAM
7.	Coordinating the training session module for the branch managers of the Bank regarding marketing.	SBICAP ENAM KOTAK AKCAPS ALLIANZ	ALLIANZ
8.	Arrangement for selection of centers for holding press/ broker/ investor conferences, preparation of press, broker, investor conference material, presentation	SBICAP ENAM KOTAK AKCAPS ALLIANZ	ENAM
9.	Selection of the Bankers to the Issue and follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue based on the correct figures.	ALLIANZ	ALLIANZ
10.	The post issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment/ weeding out of multiple applications, listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue and the bank handling refund business. Even if many of these activities would be handled by other intermediaries, the designated Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	ALLIANZ	ALLIANZ



Co-Managers to the Issue**KARVY INVESTOR SERVICES LTD.**

'Karvy House', 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad
Tel: (040) 2331 2454,
Fax: (040) 2331 1968

Registrar to the Issue**MCS LIMITED**

Sri Padmavathi Bhavan,
Plot No. 93, Road No. 16,
MIDC, Andheri (East),
Mumbai – 400 093
Tel: (022) 2820 1785,
Fax: (022) 2820 1783
Email: mcsmum@vsnl.com

Legal Advisor to the Issue**LITTLE & CO.**

Central Bank Building,
Mahatma Gandhi Road,
Mumbai – 400 023.
Tel: (022) 2265 2739,
Fax: (022) 2265 9918

Auditors to the Issue**M/s Sridhar & Santhanam**

98A, 4th Floor,
Dr. Radhakrishnan Salai, Mylapore,
Chennai - 600 004.

M/s N. Kumar Chhabra & Co.

SCO 1094 - 1095, Sector 22-B,
Chandigarh - 160 022.

M/s JCR & Co.

Raval House,
18th Road, Khar (West)
Mumbai - 400 052.

M/s Jodh Joshi & Co.

1st Floor, J. P. House,
Ravinagar Square,
Amravati Road,
Nagpur - 440 010.

M/s M. Mittal & Aggarwal

F-9/9, Model Town, Near Lake,
New Delhi - 110 009.

M/s Jagdish Chand & Co.

H-20, Green Park (Main)
New Delhi - 110 116.

Bankers to the Issue**Bank of Maharashtra**

Head Office, Lokmangal,
1501, Shivajinagar,
Pune – 411 005

Brokers to the Issue

All Brokers who are members of recognised Stock Exchanges
can act as Brokers to the Issue.

REGIONAL OFFICES OF BANK OF MAHARASHTRA**Ahmedabad Region**

Bank of Maharashtra,
Mavlankar Haveli,
Vasant Chowk, Bhadra,
Ahmedabad – 380 001

Ahmednagar Region

Bank of Maharashtra
"Gurukul", 2nd Floor,
Lal Taki Road
Ahmednagar – 414 001

Akola Region

Bank of Maharashtra
"Abhang" Gawande's Bungalow
Khedkar Nagar, Sudhir Colony Road
Akola – 444 001

Amravati Region

Bank of Maharashtra
Opp. Atul Mangal Karyalaya
Lahanuji Nagar
Amravati – 444 606

Aurangabad Region

Bank of Maharashtra
Mahabank Bhavan,
C-3, N-1, Town Centre
CIDCO, Aurangabad – 431 003

Bangalore Region

Bank of Maharashtra
15, Police Station Road,
Basawangudi
Bangalore – 560 064.

Bhopal Region.

Bank of Maharashtra
1/14, Prashashanik Zone
Arera Hills,
Jail Road,
Bhopal – 462 011

**Chandrapur Region**

Bank of Maharashtra
Ghanshyam Bhavan,
Opp. Police H.Q.,
Mul Road,
Chandrapur – 442 401

Chennai Region

Bank of Maharashtra
4, Sivagnanam Road, T. Nagar,
Chennai – 600 017

Delhi Region

Bank of Maharashtra
6-30/31 W.E.A,
Ajmal Khan Road, Karolbagh
New Delhi – 110 005

Goa Region

Bank of Maharashtra
Dattaprasad Building, 1st Floor
Mahatma Gandhi Road, Panji
Goa – 403 001

Hyderabad Region

Bank of Maharashtra
4-3-379, 2nd Floor
Bank Street, Sultan Bazar,
Hyderabad – 500 001

Indore Region

Bank of Maharashtra
Maharashtra Sahitya Sabha Bhavan
688, M. G. Road,
Indore – 452 007

Jabalpur Region

Bank of Maharashtra
Muthye Building, 1st floor
Opp. Telephone Exchange
Wright town,
Jabalpur – 480 002

Jalgaon Region

Bank of Maharashtra
Building No.7, 1st Floor
Khandesh Mill Shopping Centre
P.B. No. 88, Nehru Chowk,
Jalgaon – 425 001

Kolhapur Region,

Mahabank Bldg.,
S.N.517/1-L, Plot No.7,
Kavala Naka,
Kolhapur – 416 001

Kolkata Region

Bank of Maharashtra
McLeod House, 1st Floor
3, N.S. Road
Kolkata – 700 001

Latur Region

Bank of Maharashtra
28/77, Kirti Mansion
Hanuman Chowk,
Kamdar Road,
Adat Bazar, Latur - 413 512

Mumbai City Region

Bank of Maharashtra
Janamangal, 2nd Floor,
45/47, Mumbai Samachar Marg
Fort, Mumbai – 400 023

Mumbai Suburb Region

Bank of Maharashtra
1st Floor, Peace Bird Co-op Housing Society,
T.H. Kataria Marg,
Mahim, Mumbai – 400 016

Nagpur Region

Mahabank Building
Abhyankar Road, Sitabuldi
Nagpur – 440 012

Nasik Region

Bank of Maharashtra
Griha Nirman Bhavan,
Gadkari Chowk, Old Aga Road,
P.O.Box No. 140
Nasik - 422 002

Pune City Region

Bank of Maharashtra
Sadhashiv Vilas,
F.C.Road,
Pune - 411 005

Pune Rural Region

Bank of Maharashtra
2nd Floor, Kesari Maratha trust Complex,
N.C. Kelkar Marg,
568, Narayan Peth
Pune – 411 030

Raigad Region

Bank of Maharashtra
Mahabank Bhavan
B-37, Wagale Ind. Estate,
Thane - 400 604

**Raipur Region**

Bank of Maharashtra
Chawla Complex,
Sai Nagar
Raipur – 492 001

Ratnagiri Region

Bank of Maharashtra
Gajanan Sarawati Smruti
Subhash Road,
P. O. Box No. 6
Ratnagiri - 415 612

Satara Region

Bank of Maharashtra
Jeevan Tara
LIC Regional Office Bldg,
Opp. Collector Office,
Koregaon Road,
Satara - 415 001

Solapur Region

Bank of Maharashtra
Plot No.94, Gaikwad Building
Morarji Peth, Solapur Pune Road
Solapur - 413 002

Thane Region

Bank of Maharashtra
Mahabank Bhavan
B-37, Wagale Ind. Estate
Thane - 400 604

COMPLIANCE OFFICER

Shri V. K. Ambekar, Deputy General Manager, has been designated as the Compliance Officer for the Issue. In case of any pre-issue/ post-issue related problems such as non-receipt of letters of allotment/ share certificates/ refund orders etc.

the investors are requested to contact the Compliance Officer at:

Shri V. K. Ambekar

Deputy General Manager, AIFM
Bank of Maharashtra
Central Office, Lokmangal,
1501, Shivajinagar,
Pune 411 005
Tel no.: (020) 2553 8035,
Fax no.: (020) 2553 3924
E-mail: ipo@mahabank.co.in
Web site: <http://www.maharashtrabank.com/>

CREDIT RATING/ DEBENTURE TRUSTEES

Since the present issue is of equity shares, credit rating and appointment of trustees is not required.

UNDERWRITING

The present issue of equity shares is not underwritten.

CORPORATE GOVERNANCE

The SEBI guidelines in respect of corporate governance, in line with the regulatory framework for public sector banks, shall be applicable to the Bank immediately on the listing of shares on the various stock exchanges. The Bank undertakes that it shall take the necessary steps to comply with all the requirements of the guidelines on corporate governance as would be applicable to it upon listing of its shares as well as any requirements of the stock exchanges with regard to corporate governance before grant of listing permission by the Stock Exchanges. The Bank also confirms that it shall comply with the requirements of the stock exchanges to their satisfaction. In this regard, the Bank would also set up the necessary committees as per the requirements of the revised guidelines.



II. CAPITAL STRUCTURE

		(Rs. in crore)	
As on March 31 st , 2003		Face Value	Issue Value
A. Authorised capital			
150,00,00,000	Equity Shares of Rs. 10/- each	1500.00	
B. Issued, subscribed and paid up capital*			
33,05,20,000	Equity Shares of Rs. 10/- each	330.52	
C. Present issue through this Offer Document			
10,00,00,000	Equity Shares of Rs. 10/- each at Rs. 23 per share	100.00	230.00
Out of which			
1,00,00,000	Equity Shares of Rs.10/-each for cash at Rs. 23 per share are reserved for allotment to regular/permanent Employees & Working Directors of the Bank	10.00	23.00
D. Net offer to Indian public			
9,00,00,000	Equity Shares of Rs. 10/- each at Rs. 23 per share	90.00	207.00
E. Paid - up capital after the issue			
43,05,20,000	Equity Shares of Rs. 10/- each	430.52	
Share premium account			
	Before the issue	Nil	
	After the issue		130.00

* The Government of India presently holds the entire equity capital of the Bank. The Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) vide their letter no. F.No.11/19/2001 - BOA dated December 26th, 2003 has given their approval for the present Issue. After the issue, the shareholding of Gol will be 76.77%.

The Government of India vide its letter F. No. 11/19/2001-BOA dated February 5th, 2004 has given its approval to lock-in 20% of the post issue share capital of the Bank for 3 years from the date of allotment in the public issue and lock in of balance pre-issue share capital for a period of 1 year from the date of allotment in the public issue. Further, the shares issued last shall be locked in first.

NOTES TO CAPITAL STRUCTURE

1. Share Capital history (since nationalisation on July 19th, 1969)

(Rs. in Crores)

Date	Increase/ Decrease in Capital	Particulars	Paid Up Capital
July 19 th , 1969	1.49	On the Date of Nationalisation	1.49
May 26 th , 1980	0.51	Transferred from General Reserve	2.00
December 12 th , 1980	0.30	Transferred from General Reserve	2.30
November 27 th , 1984	0.12	Capital Contribution from Central Government	2.42
December 9 th , 1985	12.58	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	15.00



(Rs. in Crores)

Date	Increase/ Decrease in Capital	Particulars	Paid Up Capital
December 31 st , 1985	0.50	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	15.50
December 27 th , 1986	8.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	23.50
March 30 th , 1988	7.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	30.50
March 31 st , 1989	14.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	44.50
March 31 st , 1990	40.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	84.50
March 26 th , 1991	25.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	109.50
March 31 st , 1992	40.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	149.50
March 31 st , 1993	35.00	Capital Contribution subscribed in special Non-Negotiable Govt. Securities at 7.75% Interest	184.50
December 31 st , 1993	150.00	Capital Contribution subscribed in GOI Nationalised Banks recapitalisation Bonds @ 10.00% redeemable in 5 yearly equal instalments	334.50
December 1 st , 1994	239.58	Capital Contribution subscribed in GOI recapitalisation Bonds 2006 [@ 10.00% non- transferable]	574.08
February 17 th , 1995	94.61	Capital contribution subscribed in the issue of 10% Nationalised Banks' Non-Transferable Special Security – 2007. Redeemable in 6 annual equal instalments w.e.f. February 16 th , 2002.	668.69
March 26 th , 1996	80.00	Capital contribution subscribed in the issue of 10% Nationalised Banks' Non-Transferable Special Security – 2008. Redeemable in 6 annual equal instalments w.e.f. March 26 th , 2003.	748.69
March 31 st , 1999	(418.18)	Restructuring of Capital by adjusting accumulated loss as permitted by GOI vide letter dated March 26 th , 1999.	330.51
October 26 th , 1999	0.01	Transferred from General Reserve as permitted by GOI vide letter F. No 12/3/97- BOA dated August 12 th , 1999	330.52

- The Authorised share capital of the Bank is Rs. 1500.00 crores as per section 3 sub-section 2A of The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time.
- The entire pre-issue capital of the Bank i.e. 33,05,20,000 shares are held by Government of India. After the issue, the shareholding of GoI will be 76.77%. The Government of India vide its letter no. F. No. 11/19/2001-BOA dated February 5th, 2004 has given its approval to lock-in of 20% of the post issue share capital of the Bank for 3 years from the date of allotment in the public issue and lock in of balance pre issue share capital for a period of 1 year from the date of allotment in the public issue. Further, the shares issued last shall be locked in first.



4. Under section 3A of the Bank Nationalisation Act, no notice of any Trust, express, implied or constructive, shall be entered into on the Register or be receivable by the Bank. In terms of this Section, while Trusts could make investments in equity shares of the Bank, this could be only in the name of the Trustees and no details of the Trust would be taken cognisance of by the Bank on its Register of Shareholders.
5.
 - i) Section 3 (2E) of the Bank Nationalisation Act provides that no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/ her in excess of one percent (1%) of the total voting rights of all the shareholders of the Bank.
 - ii) Section 3 (2B)(b) of Bank Nationalisation Act provides that the paid up capital of every corresponding new bank from time to time be increased by such amounts as the Central Government may, after consultation with the Reserve Bank of India, contribute to such paid-up capital.
 - iii) Section 3(2B)(c) of Bank Nationalisation Act provides that the paid up capital of every corresponding new bank may from time to time be increased by such amounts as the Board of Directors of the Bank may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government, raise by Public Issue of shares as may be prescribed, so however, that the Central Government shall at all times hold not less than fifty-one percent of the paid-up capital of each corresponding new bank. The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2000 proposes to reduce the minimum stake of the Government from 51% to 33%.
6. In the event of oversubscription, in the process of rounding off to ensure allotment in lot size of 100 shares, the Bank will make adjustments in the basis of allotment as may be necessary in consultation with the Designated Stock Exchange, such that the Issue size does not exceed 10% of net offer to public.
7. In the event of oversubscription, the allotment shall be made on a proportionate basis as is outlined elsewhere in this Offer Document. Investors are advised to refer to para on 'Basis of Allotment' on page no. 16 of the Offer Document.
8. Only permanent/ regular employees and Working Directors of the Bank as on the cut-off date i.e. January 31st, 2004, would be eligible to apply in this Issue under reservation for employees on competitive basis. The number of permanent/regular employees of the Bank as on January 31st, 2004 is 15,200. The Bank has reserved 1,00,00,000 equity shares for permanent/regular employees and Working Directors of the Bank.
9. The unsubscribed portion, if any, out of the equity shares reserved for Employees of the Bank will be added back to the Net Offer to the Public.
10. In case of under-subscription in the net offer to the public portion, the excess subscription, if any, in the reserved categories would spill over to the public portion.
11. No single applicant in the net offer to the public category can make an application for a number of equity shares, which exceeds the net offer to the public. No single applicant in any reserved category can make an application for a number of equity shares, which exceeds the reservation in that category.
12. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those retail individual investors who have applied for shares for a value of Rs. 50,000 or less. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. The balance of the net Issue to the Indian public shall be made available for allotment to investors, including Corporate Bodies, Institutions and individual applicants who apply for shares for a value of more than Rs. 50,000. The unsubscribed portion of the net Issue to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.
13. The GoI/Directors/Lead Managers have not entered into any buy-back and/or standby arrangements for purchase of the equity shares of the Bank with any person.
14. The Bank has not availed any Bridge Loan against the proceeds of this Issue.
15. The Bank undertakes that it shall not make any further issue of capital whether by way of issue of bonus shares, preferential



allotment, rights issue or public issue or in any other manner, during the period commencing from submission of Offer Document to SEBI for the public issue till the securities referred in the Offer Document have been listed or application monies refunded on account of failure of the issue. As of date the Bank does not propose to alter the capital structure by way of split/consolidation of the denomination of shares or issue of shares on preferential basis, or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of opening of present issue.

16. Gol (the Promoter) has not undertaken any transaction in the equity shares of the Bank in the last six months.
17. On the date of filing the Offer Document with SEBI, there were no outstanding financial instruments or any other right, which would entitle the existing promoters or shareholders, or any other person any option to receive equity shares after the IPO.
18. Top 10 shareholders of the Bank at the time of Stock Exchange filing and 10 days before Stock Exchange filing:

Shareholders Name	No. of shares held	% Shareholding
Government of India	33,05,20,000	100%

Top 10 shareholders of the Bank 2 years prior to the time of Stock Exchange filing:

Shareholders Name	No. of shares held	% Shareholding
Government of India	33,05,20,000	100%

III. TERMS OF THE PRESENT ISSUE

The Bank is offering 10,00,00,000 equity shares of Rs. 10/- each for cash at premium of Rs. 13 per share i.e. at a price of Rs. 23 per share aggregating to Rs. 230 Crores (including reservation of 1,00,00,000 equity shares of Rs. 10/- each for cash at premium of Rs. 13 per share i.e. at a price of Rs. 23 per share aggregating to Rs. 23 Crores for the permanent/ regular employees and Working Directors of the Bank). The equity shares are being offered subject, inter-alia, to the terms of this Offer Document, the application forms, the provisions for listing as specified in guidelines issued by Stock Exchanges and the Gol from time to time, the terms and conditions stated in the allotment letters/ share certificates to be issued, the provisions of the Bank Nationalisation Act, the Banking Regulation Act, 1949, to the extent applicable, the provisions of the Companies Act, 1956 to the extent applicable, the Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) vide their letter F.No.11/19/2001 - BOA dated December 26th, 2003 approving the Issue, the guidelines for Disclosure and Investor Protection issued by SEBI and the provisions of the Depository Act, 1996 to the extent applicable.

RIGHTS OF THE EQUITY SHAREHOLDERS

- a) Right to receive dividend, if declared
- b) Right to attend general meetings and exercise voting powers, unless prohibited by law
- c) Right to vote either personally or by proxy, subject to Section 3(2E) of the Bank Nationalisation Act.

Note: In the event of a difference in the provisions of Banking

Companies (Acquisition & Transfer of Undertakings) Act, 1970 and Companies Act on a given issue, particularly with reference to shareholders rights, the former will override the latter.

FACE VALUE OF EQUITY SHARES

Each equity share being offered will have a face value of Rs. 10 and is offered at Rs. 23 per share.

RANKING OF EQUITY SHARES

The equity shares, now being offered shall rank pari-passu with the existing equity shares of the Bank in all respects including dividend save and except the following:

1. As per Section 3(2E) of the Bank Nationalisation Act, "no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/ her in excess of one percent of the total voting rights of all the shareholders of the Bank".
2. As per Section 15(1) of the Banking Regulation Act, 1949. "No Banking Company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off". The Bank has applied to Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) for exemptions from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years from the date of the notification.



TERMS OF PAYMENT OF THE EQUITY SHARES

Applications should be for a minimum of 100 equity shares and in multiples of 100 thereafter. The issue price is Rs. 23 per share and the entire amount is payable on application. Where an applicant is allotted lesser number of equity shares than he/she has applied for, the balance if any will be refunded to the applicant. No interest would be payable on application money pending allotment up to 30 days from the date of closure of the Issue.

INTEREST IN CASE OF DELAY IN ALLOTMENT/ REFUNDS

The Bank agrees that

- a) it will allot the equity shares within 30 days from the date of closure of the Issue.
- b) it shall pay interest @ 15% p.a., if the allotment is not made and/or the refund orders are not dispatched to the investors within 30 days from the date of closure of the Issue for the period of delay beyond 30 days.

TRANSFER OF SHARES

As per Section 3 (2D) of the Bank Nationalisation Act, the shares of every corresponding new Bank, not held by the Central Government, shall be freely transferable.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Offer Document and Application Forms

The Memorandum Form 2A containing the salient features of the Offer Document together with application forms and copies of this Offer Document may be obtained from the Lead Managers to the Issue, Brokers, Bankers to the Issue named herein, the collection centres of the Bankers to the Issue mentioned in the Application Forms, the Head Office, Regional Offices and all designated branches of the Bank. The investors are advised to retain the copy of the Offer Document/Memorandum in Form 2A (Abridged Offer Document) for their future reference.

APPLICATION MAY BE MADE BY

1. Indian Nationals Resident of India who are adult individuals in single name or joint names (not more than three).
2. Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)
3. Companies, Body Corporate and Societies registered under the applicable laws in India and authorised to invest in the shares.

4. Scientific and/or Industrial Research Organisations, which are authorised to invest in the equity shares.
5. Indian Mutual Funds registered with SEBI.
6. Indian Financial Institutions & Banks.
7. Trusts who are registered under the Societies Registration Act, 1860 or any other Trust Law and are authorised under their constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalisation Act.
8. Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India.
9. Permanent and Regular employees/ Working Directors of the Bank.
10. Non Resident Indians (NRIs) on non-repatriation basis.

APPLICATIONS NOT TO BE MADE BY

1. Minors
2. Foreign Nationals
3. Partnership firms or their nominees.
4. Trust or Society (except as stated above)
5. HUFs (except as stated above)
6. Non Resident Indians (NRIs) on repatriation basis.

A single application can be made only for the number of equity shares that are being offered to respective category.

JOINT APPLICATIONS IN CASE OF INDIVIDUALS

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc., if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form.

MULTIPLE APPLICATIONS

The application form shall contain space for indicating number of shares subscribed for in demat and physical shares or both. No separate applications for demat and physical can be made. If such an application is made, the applications for physical shares will be treated as multiple applications. An applicant should submit only one application form (and not more than one) for the total number of equity shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual



Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the applications made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

The Bank reserves the right to accept or reject, in its absolute discretion, any or all multiple applications. Applications made by permanent/ regular employees of the Bank both under the reserved category for employees as well as in the net public offer shall not be treated as multiple applications. A separate single cheque/ draft must accompany each application form.

APPLICATIONS UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds and Scientific and/ or Industrial Research Organisations, a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application has been submitted and the Bank and the branch on which the cheque/ draft has been drawn. The Bank in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with application form subject to such terms and conditions as it may deem fit.

PAN/ GIR NUMBER

Where an application is for a total value of Rs. 50,000 or more, the applicant, or, in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District. Applications without this will be considered incomplete and are liable to be rejected.

Signatures, thumb impressions and signatures other than in English/Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

NOMINATION FACILITY

As per Section 109A of the Companies Act, 1956 and the Notification No: G.S.R. 836(E) dated October 24th, 2000 amending Form 2B of nomination form of the Companies

(Central Government's) General Rules and Forms, 1956, only individuals applying as Sole Applicant/ Joint Applicant can nominate, in the prescribed manner, a person to whom his share in the Bank shall vest in the event of her/his death. Non-individuals including society, trust, body corporate, Karta of HUF, holder of power of attorney cannot nominate.

OTHER APPLICATION DETAILS

1. Applications must be made only on the prescribed Application Form and should be completed in **BLOCK LETTERS** in **ENGLISH** in accordance with the instructions contained herein and in the application form, and are liable to rejection if not so made. The prescribed application forms will have the following colours: -

Category	Colour of form
Indian Public & NRI (Non-repatriation basis)	White
Employees	Pink

2. Payments should be made by cash, cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Application Form is submitted. Outstation cheques/ bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Money orders/Postal orders will not be accepted.
3. All application forms duly completed together with cash/ cheque/demand draft/for the application money payable must be delivered before the close of the Subscription List to any of the Bankers to the Issue named herein or to any of their branches mentioned in the Application Form and not to the Lead Managers or the Registrars to the Issue (except in the circumstances described in clause 6 herein below).
4. A separate cheque/bank draft must accompany each Application Form. No receipt will be issued for the application money. However, the Bankers to the Issue will issue an acknowledgment by stamping and returning to the applicant the acknowledgment slip attached to the application form. The acknowledgement slip given by the Bankers shall be valid and binding on the Bank and others connected with the issue.
5. All cheques/bank drafts accompanying the application should be crossed "**A/c Payee Only**" and made payable to the Bankers to the issue and marked:



Category of Application favouring	Cheques/Bank drafts
Resident Indian Public/ NRI (without repatriation)	"Bank of Maharashtra - Public Issue"
Employees	"Bank of Maharashtra - Public Issue - Employees"

6. Applicants residing at places where no collection centers have been opened may submit/mail their applications at their sole risk along with the application money due thereon by Demand Draft to the Registrars to the Issue at their address, superscribing the envelope "Bank of Maharashtra - Public Issue", so as to reach the Registrars to the Issue on or before the closure of the Subscription List. Such demand drafts should be payable at Mumbai only. The charges, if any, for purchase of demand drafts will have to be borne by the applicant.
7. **Section 269SS of the Income Tax Act, 1961**
Having regard to the provisions of Section 269SS of the Income Tax Act, 1961, the payment against an application should not be effected in cash if the amount payable together with any earlier outstanding loan or deposit placed with Bank of Maharashtra by the applicant is Rs. 20,000 or more. In case payment is effected in contravention of this, the Applications are liable to be rejected without interest.
8. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares

PARTICULARS OF BANK ACCOUNT

All the applicants should mention particulars relating to Savings Bank/Current Account number and the name of the bank and branch with whom such account is held in the appropriate place in the application form to enable Registrars to print the said details in the refund orders after the name of the payee. Please note that it is mandatory to provide the afore-mentioned details. Applications without these details would be treated as incomplete and applications are liable to be rejected.

Note

- (i) *Applicants are requested to write the application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for equity shares.*

- (ii) *Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO)/NRE Account. The relevant bank certificate must accompany such forms. Such applications will be treated at par with the applications made by the public. For further instructions, please read the Application Form carefully.*

REJECTION OF APPLICATIONS

The Board of Directors of the Bank reserves in its absolute discretion the right to accept or reject any application in full or in part. The various reasons for rejections could be, but not limited to following: incomplete or illegible applications, number of shares applied for less than minimum required number, no information about PAN/GIR in case of applications of value over Rs. 50,000. Applicants are also advised to refer para on 'General Instructions' to understand various other reasons for rejection of applications.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

The Bank reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant within 30 (thirty) days from the date of closure of the Issue. No interest will be payable on the application money so refunded. Refund will be made by cheques or demand drafts drawn in favour of the sole / first applicant (including the details of his / her savings/ current account number and the name of the bank with whom the account is held) to the Issue and will be despatched by Registered/ Speed Post for amounts above Rs. 1,500 and by Certificate of Posting otherwise. Such refund orders will be payable at par at specified centres.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Bank shall not have access to such funds unless approvals for dealing from all the Stock Exchanges, where listing has been proposed and approval of the Designated Stock Exchange for utilisation has been obtained.

The Bank has undertaken to make adequate funds available to the Registrars to the Issue for complying with the requirements of despatch of Allotment Letters/Refund Orders by Registered/ Speed Post.

OVERSUBSCRIPTION AND BASIS OF ALLOTMENT

In the event of the present issue of equity shares being



oversubscribed, the allotment will be made on a proportionate basis and the basis of allotment will be finalised in consultation with the Designated Stock Exchange (i.e. The Stock Exchange, Mumbai).

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a Public Representative on the governing board of the Designated Stock Exchange. The Executive Director/Managing Director of the Designated Stock Exchange along with the post-issue Lead Managers and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines.

The allotment shall be on proportionate basis under the reservation for employees' category as well as under the net public offer category, subject to allotment of Shares in lot size of 100 shares, and the basis of allotment would be arrived at as explained below:

1. Applicants will be categorised according to the number of shares applied for.
2. The total number of shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category x number of shares applied for) multiplied by the inverse of the oversubscription ratio.
3. Number of shares to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.
4. In all the applications where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
 - a. Each successful applicant shall be allotted a minimum of 100 shares.
 - b. The successful applicant out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per 2 above.
5. If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100, it would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. All applicants in such categories would be allotted shares arrived at after such rounding off.

6. If the shares allocated on a proportionate basis to any category are more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of shares.
7. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those retail individual investors who have applied for shares for a value of Rs. 50,000 or less. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. The balance of the net Issue to the Indian public shall be made available for allotment to investors, including Corporate Bodies, Institutions and individual applicants who apply for shares for a value of more than Rs. 50,000. The unsubscribed portion of the net Issue to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.

In the event of oversubscription, in the process of rounding off to ensure allotment in lot size of 100 shares, the Bank will make adjustments in the basis of allotment as may be necessary in consultation with the Designated Stock Exchange, such that the Issue size does not exceed by 10% of net offer to the public.

The Designated Stock Exchange i.e. The Stock Exchange, Mumbai, reserves the right to modify the above stated Basis of Allotment within the overall conformity to the extant regulations in this regard.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at the rate of 15% per annum on excess application will be made to the applicants for the delayed period, if any, where allotment of equity shares and issuance of Refund Orders takes place beyond 30 days from the date of closure of the Issue

DISPUTES

Any disputes arising out of this Issue will be subject to the jurisdiction of Court(s) in India.

DEMATERIALISATION

The equity shares of the Bank have been admitted for dematerialisation by National Securities Depository Limited (NSDL), vide a tripartite agreement dated February 22nd, 2002



signed between the Bank, NSDL and the Registrar to the Issue, MCS Limited, to enable all shareholders of the Bank to have their shareholding in electronic form. The Bank has also entered into a tripartite agreement with Central Depository Services (India) Limited (CDSL) and the Registrar to the Issue, MCS Limited for dematerialisation of its shares vide a tripartite agreement dated February 21st, 2002.

1. An applicant has the option of seeking allotment of Equity Shares in electronic or in physical mode.
2. Separate applications for electronic and physical shares by the same applicant shall be considered as multiple applications.
3. The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) appearing under the heading 'request for shares in electronic form'
4. An applicant who wishes to apply for shares in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application
5. Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP)
6. For subscription in electronic form, names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository
7. Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to this Issue.
8. Incomplete/ incorrect details given under the heading 'Request for shares in electronic form' in the application form will be assumed as an application for shareholding in physical form.
9. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her DP.
10. It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
11. One time cost of dematerialisation of shares would be borne by the Bank. The one time cost refers to the demat charges for the shares opted for in this issue by an investor

in electronic form. Subsequent charges for dematerialisation of physical shares held by the investors would have to be borne by the investor.

12. In case of partial allotment, allotment will be done in demat option for the shares sought in demat form and balance, if any, will be allotted in physical form.

In case of allotment of shares in physical form, the Bank may issue certificates of appropriate denomination or may issue consolidated certificates.

INVESTORS MAY NOTE THAT, ALTHOUGH THE APPLICATION MAY BE MADE FOR PHYSICAL/DEMAT SHARES AT THE OPTION OF INVESTORS, AS PER EXISTANT SEBI GUIDELINES, TRADING IN THE SECURITIES SHALL BE IN DEMATERIALISED FORM ONLY.

UNDERTAKING BY THE BANK

The Bank undertakes

- a) to attend to the complaints received in respect of the Issue expeditiously and satisfactorily;
- b) to take all steps for completion of necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed within 7 working days of finalisation of basis of allotment;
- c) to apply in advance for the listing of equities
- d) that the funds required for dispatch of refund orders/ allotment letters/ certificates by registered/speed post shall be made available to the Registrar to the Issue by the issuer Bank;
- e) that the certificates of the securities/refund orders to the Non Resident Indians shall be dispatched within specified time.
- f) that no further issue of securities shall be made till the securities offered through this offer document are listed or till the application monies are refunded on account of non-listing, under subscription.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors undertake that

- a) all monies received out of issue of shares to public shall be transferred to separate bank accounts other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- b) details of all monies utilised out of the issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Bank indicating the purpose for which such monies had been utilised



- c) details of all unutilised monies out of the issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Bank indicating the form in which such unutilised monies have been invested.
- d) the utilization of monies received under reservations shall be disclosed under an appropriate head in the Balance Sheet of the Bank indicating the purpose for which such monies have been utilised
- e) details of all unutilised monies out of funds received under reservations shall be disclosed under an appropriate separate head in the Balance Sheet of the Bank indicating the form in which such unutilised monies have been invested.

TAX BENEFITS

M/s. Sridhar & Santhanam, M/s. N. Kumar Chhabra & Co., M/s. JCR & Co., M/s. Jodh Joshi & Co., M/s. M. Mittal & Aggrawal, M/s. Jagdish Chand & Co. have advised the Bank vide their report dated November 29th, 2003, that following tax benefits would be available to the Bank and its shareholders under the provisions of current Direct Tax Laws.

I. To The Bank

- 1) As per the provisions of Section 10 (23G) of Income Tax Act, 1961, any income from dividend {other than dividends referred to in Section 115(O)} interest or long term capital gain of the Bank arising from investment made on or after the 1st day of June, 1998 by way of shares or Long Term Finance in any enterprise or fund or a Co-operative Bank wholly engaged in business of (i) developing or (ii) maintaining and operating or (iii) developing, maintaining and operating any infrastructure facility or a housing project referred to in Sub-section 10 of Section 80-IB or a hotel or hospital project and which has been approved by the Central Government and which satisfies the prescribed conditions as per Rule 2E of the Income Tax Rules, 1962, is exempt from tax.
 - 2) Under Section 10 (33) of the Income Tax Act, 1961, any income arising from the transfer of a capital asset, being a unit of the Unit Scheme, 1964 referred to in Schedule I to the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) and where the transfer of such asset takes place on or after the 1st day of April 2002.
 - 3) Under Section 10 (34) of the Income Tax Act, 1961, income earned by way of dividends from another domestic company; under section 10 (35), income received in respect of units from the Administrator of specified undertaking and/or specified company (as defined under Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002) and income received in respect of units of a mutual fund as specified under section 10 (23) (D) of the Income Tax Act are exempt from tax in the hands of the Bank.
 - 4) As per second proviso to Section 48 of the Income Tax Act, the long term capital gains arising out of transfer of capital assets other than bonds and debentures (not being capital indexed bonds) will be computed after indexing the cost of acquisition/improvement and as per Section 112 of the Income Tax Act, the same would be chargeable to tax at a concessional rate of 20%. In respect of long term capital gains arising from the transfer of listed securities or units, tax shall be chargeable at 10% of the amount of capital gains plus applicable surcharge before giving effect to the provisions of second proviso to Section 48 i.e. without indexing the cost of acquisition at the option of the bank (plus applicable surcharge).
- Further, according to Section 10 (36) Capital Gains arising on transfer of equity shares of Bank is not chargeable to income tax if, such shares are allotted through a public issue before 1st March 2004 and listed on a recognised stock exchange in India, provided such shares are held for a period of 12 months or more and the transaction of sale of such shares is entered through on a recognised stock exchange in India.
- 5) As per Section 54EC of the Income Tax Act and subject to conditions specified therein, the Bank is eligible to claim exemption from the tax arising on long-term capital gains, on investment of capital gains in certain notified bonds, within six months from the date of transfer of capital asset. If only a portion of the capital gains is invested, then the exemption is proportionately available.
 - 6) Under Section 54ED of the Income Tax Act, capital gains arising from the transfer of investments held as long term capital asset, being listed securities or unit is exempt fully from tax if the Bank invests within a period of six months from the date of such transfer, the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital as defined in clause (i) to explanation in the above section. Where only a part of the capital gains is so invested then the exemption is proportionately available. The exemption is available subject to other conditions specified in that Section.
 - 7) 3rd and 4th proviso to Sec. 36(1)(vii): Bank at its option will be allowed a further deduction in excess of the limits specified in the above provisions for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government provided that such income is disclosed in the return of income of the Bank under the



head "Profits & Gains of Business or Profession.

Under Section 36(1)(viia) of the Income Tax Act 1961 in respect of any provision made for bad and doubtful debts, the Bank is entitled to a deduction not exceeding:

- (i) 7.5% of the total income (computed before making any deductions under the said clause and Chapter VIA) and
- (ii) 10% of the aggregate average advances made by the rural branches of the Bank computed in the prescribed manner.

However, the Bank, at its option, in lieu of the claim referred to in item 1 (i) and 1(ii) above, can claim in the assessment of any of the consecutive years commencing on or after 1st April 2003 and ending before 1st April 2005, a deduction in respect of any provision made by it for any assets classified as doubtful assets or loss assets in accordance with the guidelines issued by Reserve Bank of India in this behalf of an amount not exceeding 10% of the amount of such assets as appearing in the books of the Bank on the last day of previous year.

Apart from the deduction available under Section 36(1)(viia) of the Income Tax Act 1961, the Bank is entitled to claim a deduction under Section 36(1)(vii) of the Income Tax Act 1961 for the amount of bad debts written off in its books of account. The deduction is limited to the amount of such debt or part thereof, which exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia) and further provisions of Section 36(2) (v) have to be complied with.

As per Section 43D of the Income Tax Act, 1961, interest income on certain categories of bad or doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962 having regard to the guidelines issued by Reserve Bank of India in relation to such debts shall be chargeable to tax, only in the year in which it is actually received or the year in which it is credited to the Profit & Loss Account by the Bank, whichever is earlier.

II. To The Shareholders Of The Bank

A) Resident Shareholder

- 1) Under Section 10 (34) of the Income Tax Act, dividends paid by the Bank are totally exempt from income tax in the hands of the shareholders.
- 2) According to Section 10(36) Capital Gains arising on transfer of equity shares of bank is not chargeable to income tax if, such shares are allotted through a public issue before 1st March 2004 and listed on a recognised stock exchange in India, provided such shares are held

for a period of 12 months or more and the transaction of sale of such shares is entered into on a recognised stock exchange in India.

- 3) Under Section 54EC of the Income Tax Act 1961, exemption from capital gains tax is available in respect of long term capital gain arising on transfer of the shares of the Bank if the assessee at any time within a period of six months after the date of such transfer, invests the whole of the capital gain in any long term specified asset viz. any bond redeemable after three years issued by the National Bank for Agricultural and Rural Development or by the National Highways Authority of India or by the Rural Electrification Corporation Limited or National Housing Bank or Small Industries Development Bank of India. If only a portion of capital gains is so invested, then the exemption is proportionately available.
- 4) Under Section 54 ED of the Income Tax Act 1961, exemption from Capital Gains Tax is available in respect of long term capital gain arising on transfer of the shares of the Bank, being listed securities, if the assessee at any time within a period of six months after the date of such transfer invests the whole of the capital gain on acquiring equity shares forming part of an eligible issue of capital. If only a portion of capital gains is so invested, then the exemption is proportionately available.
- 5) As per the provisions of Section 54F of the Income Tax Act, 1961 long term capital gains arising in the hands of an individual or HUF on transfer of shares of the Bank shall be exempt if the net consideration is invested in purchase of residential house within a period of one year before or two years after the date of transfer or construction of a residential house within a period of three years after the date of transfer. The exemption is available proportionately if only a portion of the net consideration is invested as above. The exemption is subject to other conditions specified in the Section.
- 6) Under section 112 of the Income Tax Act, 1961 long term gains on transfer of shares of the Bank are taxed at a concessional rate of 20% (plus surcharge as applicable) after indexing the cost as per second proviso to Section 48. Where the tax payable in respect of any such long term capital asset (including the shares of the Bank) exceed 10% (plus surcharge as applicable) of the amount of capital gains before applying the provisions of second proviso to Section 48, then such excess shall be ignored.
- 7) No wealth tax is payable in respect of investment in shares of the Bank.

B) Non Resident Indian Shareholders

- 1) Under Section 10(34) of the Income Tax Act, dividends



paid by the Bank are totally exempt from income tax in the hands of the shareholders.

- 2) According to Section 10(36) Capital Gains arising on transfer of equity shares of bank is not chargeable to income tax if, such shares are allotted through a public issue before 1st March 2004 and listed on a recognised stock exchange in India, provided such shares are held for a period of 12 months or more and the transaction of sale of such shares is entered into on a recognised stock exchange in India.
- 3) As per the provisions of Section 48 of the Income tax Act, capital gains arising on transfer of shares of the Bank is computed by converting the cost of acquisition etc. and the full value of the consideration of the transfer of shares into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains so computed in such foreign currency shall be reconverted into Indian currency.

Further, the aforesaid manner of computation of Capital Gains shall be applicable in respect of Capital Gain accruing or arising from every reinvestment thereafter in and sale of, shares in, or debentures of, an Indian Company.

- 4) As per the provision of Section 115-I of the Income tax Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XIIA for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Income Tax Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Income Tax Act.

As per the provisions of section 115-I of the Income Tax Act, 1961 non-resident Indians have an option to be governed by the Chapter XIIA of the Income Tax Act, 1961, according to which –

- (a) Under Section 115E of the Income Tax Act 1961, the long-term capital gain on transfer of shares of the Bank acquired by him shall be taxed @10% (plus surcharge as applicable).
- (b) Under Section 115 F of the Act, the long term capital gain on sale of shares acquired by non-resident out of convertible foreign exchange (Foreign Exchange Asset) shall be exempt from Income Tax entirely / proportionately, if the entire or part of the net consideration is invested for a period of three years in any savings certificates specified under Section 10(4B) or specified assets as defined in Section 115C within 6 months from the date of transfer.

- (c) Under Section 115 H of the Act, the benefit under Section 115 F may be continued even after the Non Resident becomes a Resident in India in a subsequent year until the transfer or conversion in to money of the Foreign Exchange Asset.
- (d) Under Section 115 G of the Act, a non-resident Indian would not be required to file a return of income under Section 139(1) of the Act if his total income consisted only of investment income and/or long term capital gains and tax deductible at source has been deducted therefrom.

C) Foreign Companies & Institutional Investors (FIIs)

- 1) Under Section 10(34) of the Income Tax Act, dividends paid by the Bank are totally exempt from income tax in the hands of the shareholders.
- 2) According to Section 10(36) Capital Gains arising on transfer of equity shares of Bank are not chargeable to income tax if, such shares are allotted through a public issue before 1st March 2004 and listed on a recognised stock exchange in India, provided such shares are held for a period of 12 months or more and the transaction of sale of such shares is entered into on a recognised stock exchange in India.
- 3) As per the provisions of Section 48 of the Income tax Act, capital gains arising on transfer of shares of the Bank (held by other than FIIs) will be exempt in such a manner as set out in para 3 of Part II (B) above.
- 4) As per the provisions of Section 54EC of the Income Tax Act. Long term capital gains arising from the transfer of shares of the Bank are exempt as set out in para 3 of Part II (B) above.
- 5) As per the provisions of Section 115AD of the Income Tax Act, where the total income of FIIs include income by way of short term or long term capital gains arising from transfer of such shares, income tax will be payable at 30% on short term capital gains and 10% on long term capital gains plus applicable surcharge.

D) Mutual Funds

As per the provisions of Section 10 (23D) of the Income Tax Act, dividend income from investments in shares of the Bank or income by way of short term or long term capital gains arising from transfer of such shares earned by Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by the public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.



IV. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The present issue of equity shares is being made:

1. To augment the capital base of the Bank to meet its future capital adequacy requirements.
2. To augment the long-term resources of the Bank.
3. To list the shares of the Bank on the various Stock Exchanges as specified elsewhere.
4. To meet the expenses of the Issue.

The proceeds of this Issue after meeting all expenses of the issue will be used by the Bank for its regular business activities.

Capital adequacy position of the Bank

The Capital Adequacy Ratio ("CAR") of the Bank as on March 31st, 2003 was 12.05%, as against the RBI stipulation of 9.0%. Details of capital vis-à-vis risk weighted assets are as under:

(Rs. in crores)

Particulars	Mar 31 st , 1999	Mar 31 st , 2000	Mar 31 st , 2001	Mar 31 st , 2002	Mar 31 st , 2003	Sept 30 th , 2003
Tier I Capital	385.95	454.09	489.43	591.12	626.41	743.30
Tier II Capital	91.58	260.71	325.44	414.43	599.28	517.06
Total Capital	477.53	714.80	814.87	1,005.55	1225.69	1260.36
Risk weighted Assets	4,895.23	6,132.50	7,663.40	9,013.71	10,167.74	9997.34
Capital Adequacy Ratio (CAR)	9.76%	11.66%	10.64%	11.16%	12.05%	12.61%
CAR - Tier I	7.89%	7.41%	6.39%	6.56%	6.16%	7.44%
CAR- Tier II	1.87%	4.25%	4.25%	4.60%	5.89%	5.17%

REQUIREMENT OF CAPITAL ENHANCEMENT

The Bank expects to post a growth in business in the years to come. Risk weighted assets of the Bank are also expected to increase significantly over the years. Increase in Tier I capital through retained earnings alone may not be sufficient to enable the Bank to maintain an adequate capital adequacy ratio. In view of the likely expansion of loan assets, the Bank proposes to augment its net worth in order to sustain a healthy CAR.

Hence, the Issue proceeds would strengthen the Tier I capital of the Bank and consequently the net worth to maintain healthy Capital Adequacy Ratio.

The Bank has not made any issue of Equity Shares / Debentures / Preference shares by way of Public / Rights Issue through an Offer Document. However, the Bank has raised Tier II Capital by way of Private Placement of unsecured, redeemable bonds in the nature of Promissory Notes to augment Capital adequacy as under:

Sr.	Date of Placement	Size (Rs. in crores)	Tenor	Ratings	Coupon (%)	Redemption Date
1	August 26 th , 1999	170.00	80 months	Unrated	12.60	April 26 th , 2006
2	February 14 th , 2001	50.00	63 months	Unrated	11.50	May 14 th , 2006
3	January 29 th , 2002	100.00	63 months	Unrated	9.45	April 29 th , 2007
4	March 29 th , 2003	100.00	63 months	Unrated	7.00	June 29 th , 2008



V. BANK AND MANAGEMENT

BRIEF HISTORY AND BACKGROUND

The Bank was registered on September 16, 1935 at Pune as a Public Limited Company in the name "The Bank of Maharashtra Ltd.". The Bank was started by a group of visionaries from Pune, with the objective to serve, especially the common men. The operations commenced on February 8, 1936. Right from its inception, the focus of the Bank has been to assist small business enterprises, traders, self-employed and other common men. In 1944, the Bank became a Scheduled Bank.

The Bank has made steady progress to become a household name in Maharashtra. From a modest beginning, the Bank has grown in size and stature to become one of the major banks in India. The growth of the Bank was also helped by take over of small banks like Bank of Konkan Ltd., Bank of Nagpur Ltd., Bharat Industrial Bank Ltd., Banthia Bank Ltd. In 1969, the nationalisation of 14 major banks in the country took place and Bank of Maharashtra was one of these major banks. The Bank marched ahead in the changed scenario and crossed many milestones. At the time of nationalisation, the Bank had 211 branches, which has grown to 1251 branches on September 30th, 2003. The Bank is one of the progressive nationalised banks that achieved autonomy in 1998 and continues to enjoy the status by virtue of good performance. The Bank has prospered with consistent growth and in the last year the business has grown by 15.67% and the profit by 52.69%.

The Bank with its 1251 branches spread over 21 States and 2 Union territories serves well diversified industries consisting Steel & Auto, Diamond & Jewellery, Petroleum, Chemicals and Pharmaceuticals, Power, Hotels, Education, Infrastructure & Housing sectors. The Bank has signed MOU with EXIM Bank of India in February 2000 for co-financing of project exports.

The Bank has also sponsored 3 Regional Rural Banks (RRBs) as a part of fulfilment of its social responsibilities towards the rural development and poverty alleviation. The Bank is acting successfully as the Convenor of State Level Banker's Committee for the State of Maharashtra and also for Rajbhasha. The Bank has the Lead Bank responsibility in 6 districts namely Aurangabad, Jalna, Pune, Satara, Thane and Nasik.

The Bank has a fully owned subsidiary, Maharashtra Executor and Trustee Company Ltd., which has been extending trusteeship services for the last 57 years. The company undertakes management of public/private trust and administration and execution of wills. The Company has been earning profits continuously over the years.

The Bank has also entered into Joint Venture with Nextstep Infotech P. Ltd and Magic Software Enterprises, Israel in

promoting Magic eMoney Ltd engaged in software development and providing software solutions. The Company has started operations in May 2001 and has earned profits in its very first year of operation.

The growth profile of the Bank over the last 67 years is given below:

(Rs. in crores)

Year	Capital	Deposits	Advances	No of Branches (Excl. Extension counters)
1936	0.01	0.07	0.03	1
1940	0.02	0.28	0.13	3
1950	0.16	2.31	1.25	19
1960	0.33	15.14	6.83	53
1970	1.49	103.68	71.97	211
1980	2.30	832.02	472.84	714
1990	84.50	3234.25	1649.61	1116
1998	748.69	9134.30	3592.61	1162
1999	330.51	10928.52	4061.84	1175
2000	330.52	13406.55	5252.21	1195
2001	330.52	17024.56	6672.53	1219
2002	330.52	19130.63	8255.12	1222
2003	330.52	22175.75	9508.14	1232

As is evident from above, the Bank has seen a steady and consistent growth in both its advances and deposits. In the last five years, the deposits and advances of the Bank have grown at a compounded average rate of 19.41% per annum and 21.49% per annum, respectively.

The Bank's deposits have doubled during the last four years from Rs 10,928.52 crores on March 31st, 1999 to Rs. 22,175.75 crores on March 31st, 2003. At the same time, advances have more than doubled over the last four years to reach the level of Rs 9508.13 crores as on March 31st, 2003 from Rs 4061.84 crores as on March 31st, 1999.

PRESENT STATUS

The Bank, as on September 30th, 2003, has 1251 domestic branches (239 metropolitan, 232 urban, 194 semi-urban and 586 rural) including 12 service branches. This further includes specialised branches namely 2 Industrial Finance branches, 6 SSI Branches, 1 personal banking branch, 4 Agricultural Hitech



Branches. Bank has also 37 extension counters under its domestic operation. Further the Bank serves the customers through 45 ATMs.

Bank has been participating in various social upliftment programmes of the Government including its role under Service Area Approach and other rural/urban employment generation programmes.

The Bank has the policy to improve its income and profit through growth in business. Its track record of business growth has been better than industry average as has been detailed elsewhere in the document. As on March 31st, 2003 Bank's total business stood at Rs. 32200.54 crore. The Bank earned an operating profit and net profit during the year FY03 of Rs. 520.58 crore and Rs. 222.02 crore respectively. Net NPA of the Bank as on March 31st, 2003 stood at Rs. 459.14 crore, which is equal to 4.82% of its net advances.

The Bank's Capital Adequacy as on March 31st, 2003 was 12.05%. The capital structure as on that date include Rs. 420.00 crore as Subordinated Bonds which it could raise successfully during FY 1998-99, FY 2000-01, FY 2001-02 and FY 2002-03 respectively. The present capital of the Bank stands at Rs. 330.52 crores.

Bank subscribes to the policy of transparency and makes disclosures as is required under the existing policy of regulatory Authority. It has put in place citizen charter, fair practices code and adheres to the principles of corporate governance.

OVERVIEW OF THE BANKING SECTOR

Structure of Indian Banking Industry

The formal banking system in India comprises the Reserve Bank of India, Commercial Banks, Regional Rural Banks and the Co-operative Banks. In the recent past, private non-banking finance companies also have been active in the financial system, and are being regulated by the RBI.

Scheduled Commercial Banks (SCBs)

The scheduled commercial banks (SCBs) comprise of Public Sector Banks (SBI Group + Nationalised banks), Private Sector Banks and Foreign Banks.

Public Sector Banks (PSBs)

The banking sector in India has been characterized by the predominance of PSBs. The PSBs had 46,142 branches (SBI &

Associates: 13499; Nationalised Banks: 32643) as on June 30th, 2003. The aggregate assets of all PSBs stood at Rs. 12,85,235.70 crores at end FY03 accounting for nearly 76 % of assets of all SCBs in India as on March 31st, 2003. The PSBs' large network of branches enables them to fund themselves out of low-cost deposits. PSBs account for 79.61% of deposits, 74.19% of advances, 74.52% of income, of all Scheduled Commercial Banks at end FY- 03, thus clearly demonstrating their dominance of the Indian banking sector.

Private Sector Banks

In July 1993, as part of the banking sector reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the addition of 10 private sector banks. These banks are collectively known as the 'new' private sector banks. Private sector banks operated through 5624 branches at end FY 2002-03. As on March 31st, 2003, total assets of private sector banks aggregated Rs. 297279.31 crore and accounted for 17.50% of the total assets of all SCBs. Although the share of private sector banks in total assets has increased from 12.61% at end FY01 to 17.50% on March, 2003, new private sector banks have accounted for most of the gain. The new private sector banks' share of assets of all private sector banks increased from 27.5% at end-FY97 to 64.64 % on March 31st, 2003 (11.31% of assets of SCBs). The share of old private sector banks in total assets of SCBs has decreased marginally from 6.4% at end FY 1996-97 to 6.19% at end FY 2002-03. However, their share in total assets of private sector banks has declined from 72.5% at end FY 1996- 97 to 35.36% at end FY 2002-03.

Foreign Banks

Presently, there are 36 foreign banks operating in India with 204 branches as on June 30th, 2003. In addition, there are 26 Representative Offices set up by Foreign Banks in India as on September 2003.

At end-FY 2002-03, the total assets of foreign banks aggregated Rs. 116401.08 crore and accounted for 6.85% of the total assets of all SCBs. The primary activity of most foreign banks in India has been in the corporate segment. However, in recent years, some of the larger foreign banks have started making consumer financing a larger part of their portfolios, based on the growth opportunities in this area in India. These banks also offer products such as automobile



finance, home loans, credit cards and household consumer finance.

(Rs in crores)

Category	Deposits			Advances			Total Income		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
Public Sector Banks	859462	968624	1079394	414989	480118	549351	103499	117252	128464
Private Sector Banks	136667	169433	207174	68058	116841	138951	16595	20817	31866
Foreign Banks	59190	64511	69313	42997	48632	52171	11987	12964	12044
Bank of Maharashtra	17024.56	19130.63	22175.75	6672.53	8255.12	9508.14	1928.27	2305.58	2442.15

Source: RBI Publications for Banking Sector Statistics, Bank of Maharashtra figure as per Auditor's Report

The salient features in the evolution of Indian banking are as follows:

The number of banks, including Regional Rural Banks (RRBs) has increased from 89 in 1969 to 295 in June, 2003. The population per branch has declined significantly, from 75,000 in 1950 to 16,000 in 2002. With the nationalization of banks in 1969, the number of bank branches (including Regional Rural Banks) increased from 8,262 in 1969 to 66,514 in June 2003. Though most of the expansion was in rural and semi-urban areas the share of rural branches has marginally declined to 48.7% in June, 2003 from 49% as at end- June 2002.

The credit-deposit ratio of SCBs has reached 59.4% as on March 31st, 2003, with investment plus credit-deposit ratio of 65.80% as on March 31st, 2003.

Priority sector lending, which comprise lending to agriculture, SSI and other Priority sectors, increased to Rs. 2,03,095 crore in 2003 and the percentage of outstanding advances under Priority sector to Net Bank Credit stood at 42.5 % as against the minimum stipulated level of 40%.

Performance of Banking Industry

During 2003-2004 (up to November 28th, 2003), aggregate deposits recorded a growth of 11.81% (Rs. 1,48,180 crore) as compared with 18.30% (Rs. 1,94,570 crore) in the corresponding period of the previous year.

Bank credit increased by Rs. 1,39,493 crore as on March 21st, 2003, reflecting an increase of 23.70% (YOY), compared with 15.30 % (YOY) during FY 02. Though there was clear indications for picking up of credit in 2002-03, there was change in the composition of credit off take. Food credit recorded a drop of Rs. 4,499 crores (-8.30%) on account of lower procurement operations during the year, as against the increase of Rs. 13,987 crores during the last year. Non-food credit on the other hand registered a welcome increase of Rs. 1,43,992 crores (26.90%) reflecting a turnaround in the industrial climate, particularly in the second half of the year 2002-03. The investments made by SCBs in government

and approved securities increased by Rs. 1,09,276 crores (24.90%) as on March 21st, 2003 over the last year. As on March 21st, 2003, banks' holding of SLR securities, increased by Rs. 1,09,276 crore over and above the SLR requirement and was substantially higher than the net annual borrowings of the Central Government.

In line with macroeconomic trends of softening interest rates in most markets the deposit as well as lending rates of SCBs during FY 2002-03, have been on decline. The PLRs of major PSBs declined from the range of 10.00% to 12.50% p.a. at end March 2002 to between 9.00% to 12.25% p.a. at September 2003, reflecting the comfortable liquidity condition, deposit rates of PSBs, which were ranging from 4.25% to 8.75% in March 2002, softened to 3.75% to 6.25% by September 2003. Long-term domestic deposit rates of PSBs declined from 8.00% to 8.75% in March 2002 to 5.25% to 6.25% in September 2003.

Recent Trends in Banking Industry

In recent years, the banking industry has been undergoing rapid changes, reflecting number of underlying developments. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Bill) 2002 (SARFAESI) was passed by Lok Sabha in November 2002. It seeks to deal with Securitisation of assets, setting up of asset reconstruction company (ARCs), and more importantly enforcement of security for realisation of dues without the intervention of court or Tribunals. After the ordinance on Securitisation, banks have issued 33736 notices involving amount of Rs. 12,147.20 crores and recovered Rs. 499.20 crores in respect of 9946 cases as on June 30th, 2003. Bank of Maharashtra has issued 360 notices and amount involved is Rs. 55.84 crores for recovering money till September 30th, 2003 and recovered Rs. 4.28 crores from 107 accounts under the Act.

The first asset reconstruction company called Asset Reconstruction Company of India Limited (ARCIL) has been incorporated and the major shareholders are ICICI Bank, Industrial Development Bank of India, State Bank of India each



holding 24.5% in ARCIL. HDFC bank owns 10% and other remaining is held by IDBI Bank and UTI Bank.

The retail loan market has grown at a CAGR of 34% over the last four years to reach about Rs. 45,000 crores. Housing finance segment accounts for nearly 80% of the retail finance segment.

Absorption of technology and upgradation of technological infrastructure, which have accelerated and broadened dissemination of financial information while lowering the costs of many financial activities. This has also led to transparency in information to the public on deposits and advances and interest rate structures.

The fiscal year 2002-03 for the Commercial Banks was by and large characterised by soft interest rates regime with flexible interest rate structures. There has also been a good inflow of foreign exchange in the country, taking the forex reserves of the country to all time high crossing US \$ 100 billion mark. There has been a comfortable resources growth with higher credit growth. Treasury operation of banks has been offering handsome opportunities for gains.

The stance of the Monetary Policy in recent years has been to maintain adequate liquidity in the market with a preference for soft interest rates. With a view to having a vibrant and resilient competitive financial sector for sustenance of the reform process in the real sector of the economy, the focus has been on the structural and regulatory measures to strengthen the financial system. These measures have been guided by the objectives of increasing operational efficacy of the Monetary policy, redefining the regulatory goal of Reserve Bank of India, strengthening prudential norms.

These developments have manifold consequences for the institutional and systemic structure of the financial sector in general and banking in particular. The business profile of financial institutions is also undergoing change. Mergers and takeovers of smaller institutions have led to the emergence of transnational conglomerates, offering services ranging from traditional commercial banking to investment banking and insurance.

MAIN OBJECT OF THE BANK

The main object and business of the Bank, as laid down in the Bank Nationalisation Act is as under:

The main object of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 under which the undertaking of the Bank was taken over by the Central Government is as under: "An Act to provide for the acquisition and transfer of the undertakings of certain Banking Companies, having regard to their size, resources, coverage and organisation, in order to control the heights of the economy

and to meet progressively, and serve better, the needs of the development of the economy, in conformity with national policy and objectives and for matters connected therewith or incidental thereto".

The Main Object of the Bank enables it to undertake the activities for which the funds are being raised and the activities, which it has been carrying on till date.

Business Sphere of the Bank

The Bank shall carry on and transact the business of Banking as defined in Clause (b) of Section 5 of the Banking Regulation Act, 1949, and may engage in one or more of the other forms of business specified in Sub-Section (1) of Section 6 of that Act.

Clause (b) of Section 5 of the Banking Regulation Act, 1949 defines Banking as "the accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise."

Other Business that the Bank may undertake (Section 3 (7))

Sections 3 (7) of Chapter II of the Banking Companies (Acquisition) Act 1970 provides for the Bank to act as Agent of Reserve Bank.

1. The Bank shall, if so required by the Reserve Bank of India, act as agent of the Reserve Bank at all places in India where it has a branch for:
 - a) Paying, receiving, collecting and remitting money, bullion and securities on behalf of the Government of India
 - b) Undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it
2. The terms and conditions on which any such agency business shall be carried on by the corresponding new Bank on behalf of the Reserve Bank shall be such as may be agreed upon
3. If no agreement can be reached on any matter referred to in Clause (ii) above, or if a dispute arises between the corresponding new Bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the Central Government, thereon, shall be final.
4. The corresponding new Bank may transact any business or perform any function entrusted to it under Clause (i) by itself or through any agent approved by the Reserve Bank.



BUSINESS AND ACTIVITIES OF THE BANK

Corporate Mission

The visionary founders of the Bank had in mind, idea of providing banking facilities for people with small means both for deposits and advances and the Bank is well aware that it has reached its present position mainly due to the trust and confidence reposed in it by its clients and well-wishers.

The institution of family is the very backbone of Indian culture and society. Banks have already become an integral part of the day-to-day life of the average urban family. With spread of education and with advanced technologies, banking will spread to rural families across the Country. It is easy to visualize that servicing the banking needs of families will be one of the main business area in future with tremendous potential for growth.

Given the Bank's background, the Bank is poised to play the role of a major banker for families in India. In this pursuit the bank will vigorously strive to improve the well-being of family with the motto "One Family – One Bank -Maha Bank"

Corporate Vision

The Bank aims to progressively increase its business every year so as to double the business every three years by increasing the customer base substantially, which will provide a healthy bottom line. It also aims to become a techno-savvy Bank for enhancing the levels of customer satisfaction. The Bank also aims at being the best in Maharashtra and the most liked in other states of the country and have a national character in the entire country, besides gradually aiming for an international presence.

Corporate Strategies

The Bank values its association with its customers and will endeavour to meet expectations from them. Bank will pursue a policy of service with friendly touch to increase customer base from 6.7 million at present to 10 million within a period of three years and to increase the number of branches in the rest of the country, especially in the northern and eastern states of India.

Bank will use its large network of computerised branches and also implement the Rural Branch Mechanization Project from the year 2002-03 after which the comprehensive data relating to Bank's business will be captured on the computers.

Competitive Strengths

1. The Bank has presence over 21 States and 2 Union Territories in the country.

2. The Bank has committed clientele banking for generations.
3. The Bank has dedicated workforce rendering best service to the customers.
4. Total business (advances plus deposits) exceeding Rs.32, 200 crores
5. The exposure risk of the bank is low. The exposure to the single largest borrower group is less than 4% of the gross advances (excluding food credit)
6. The Bank is IT savvy and more than 90% of the business is computerised.
7. State-of-the-art integrated treasury capable of handling all transactions in forex, debt and money markets.
8. Full-fledged training colleges for general Banking and Information Technology separately

Quality Movement

The Bank is a strong believer in providing top quality service to its customers.

Branch Network of The Bank

The Bank has 30 Regional Offices for controlling 1251 branches and 37 Extension Counters as on 30th September, 2003.

Distribution of domestic branch network as on 30.09.2003

Geographical Distribution of branches is as under:

Sr. No	State/ Union Territory	Number of Branches	Number of Extension Counters
1	Andhra Pradesh	27	-
2	Bihar	2	-
3	Chattisgarh	15	-
4	Delhi	22	2
5	Goa	9	-
6	Gujarat	34	-
7	Haryana	10	-
8	Karnataka	43	2
9	Kerala	6	-
10	Madhya Pradesh	107	4
11	Maharashtra	903	27



Sr. No	State/ Union Territory	Number of Branches	Number of Extension Counters
12	Punjab	9	-
13	Orissa	2	-
14	Rajasthan	8	-
15	Tamil Nadu	19	2
16	Uttar Pradesh	12	-
17	West Bengal	16	-
18	Uttaranjal	1	-
19	Himachal Pradesh	1	-
20	Jharkhand	2	-
21	Jammu & Kashmir	1	-
22	Chandigarh	1	-
23	Pondicherry	1	-
	Total	1251	37

The population group wise break up of the domestic branches as on September 30th, 2003 is as follows:

Population Group	No.	% share to Total
Rural	586	46.84
Semi Urban	194	15.51
Urban	232	18.55
Metropolitan	239	19.10
Total	1251	100.00

PRODUCTS AND SERVICES OF THE BANK

Products of the Bank

The Bank offers traditional credit products to small, medium & big industrial houses, middle class people, and rural poor. The Bank has also identified lending to mid market segments as one of the thrust areas. There are different types of schemes that are offered for the benefit of customers falling under this category.

Bank has identified retail banking as thrust area. This segment has vast unexplored potential besides it provides an opportunity to distribute the credit risk. The Bank therefore has various retail credit products designed on competitive terms for all segments, which meet the requirements of the society such as housing finance, consumer finance, automobile finance, Educational Loans.

Various repayment options such as monthly, quarterly, half yearly and yearly are offered to the borrower depending on the periodicity of the cash flows.

The other products under retail financing include financing the personal needs for salaried persons, retired senior citizens, and educational loans. Also, the traders' community can have commercial loans on easy terms.

In addition to the above, Bank also implements different schemes sponsored by the State/Central governments, especially for the upliftment of the poor as well as poverty alleviation. The schemes include Swarna Jayanthi Gram Swarojgar Yojana, Swarna Jayanthi Shahari Rojgar Yojana etc.

The Bank has MahaBank Kisan Credit Card (MKCC), Laghu Udhayami Credit Card (LUCC) and various types of agricultural loans for agriculturists.

DETAILS OF SOURCES OF FUNDS

Deposits

(Rs. in crores)

As on March 31 st ,	1999	2000	2001	2002	2003	30 th Sept 2003
Deposits	10928.52	13406.55	17024.56	19130.63	22175.75	22165.43
Annual Growth - Amount	1794.22	2478.03	3618.01	2106.07	3045.12	3526.82*
Annual Growth - Percentage	19.64%	22.67	26.99	12.37	15.91	18.92
Cost of Deposits (%)	7.64	8.00	7.80	7.78	7.07	6.35

* YoY

Total deposits of the Bank grew by 15.91% to Rs. 22,175.75 crores as on March 31st, 2003 from Rs. 19,130.63 crores as on March 31st, 2002. The share of low cost deposits (Current Account and Savings bank accounts) constituted 32.42% as on March 31st, 2003. Mobilisation of low cost resources remained the focus of attention of the Bank. Cost of Deposits improved to 7.07% during FY03 from 7.78% during FY02 and further to 6.35% in September 2003 in line with the measures initiated by the Bank for this purpose.



The category-wise break-up of total deposits during last 5 years is presented below.

(Rs. in crore)

Year ended March 31st	1999	2000	2001	2002	2003	30.9.2003
Current Deposits	1452.14	1545.33	1766.02	1942.20	1912.75	1756.08
Savings Bank Deposits	3121.06	3596.67	4058.84	4644.67	5276.81	5638.37
Term Deposits	6355.32	8264.55	11199.70	12543.76	14986.19	14770.98
Total	10928.52	13406.55	17024.56	19130.63	22175.75	22165.43

Distribution of Deposits

The share of urban & metropolitan branches of the Bank account for 37.65% of its network and accounts for 77% of total deposits. The population group-wise break-up of aggregate deposits for the last five years is as given in the table below:

(Rs. in crore)

As on 31st March	1999	2000	2001	2002	2003	30.9.2003
Rural	1508.25	1762.43	1947.30	2167.40	2360.49	2328.64
Semi-Urban	1443.32	1743.53	2124.04	2281.01	2553.10	2578.85
Urban	2604.23	3227.24	3814.96	4489.31	4912.04	4943.73
Metropolitan	5204.06	6501.02	8900.61	9885.76	11845.73	12171.71
Total	10759.86	13234.22	16786.91	18823.48	21671.36	22022.93

Regionwise distribution of deposits

The region wise distribution of aggregate deposits of the Bank as on 31st March every year is given below:

(Rs. in crore)

Region	31.3.1999	31.3.2000	31.3.2001	31.3.2002	31.3.2003	30.9.2003
Central	1440.54	1759.89	2009.74	2265.88	991.58	936.81
East	254.05	364.85	468.21	605.79	602.89	569.21
North	916.12	1348.95	1708.74	2675.95	2999.69	2937.35
South	591.42	835.02	1360.40	1495.84	1476.95	1370.08
West	7557.73	8925.51	11239.82	11780.02	15600.25	16209.48
Total	10759.86	13234.22	16786.91	18823.48	21671.36	22022.93

Non Resident Deposits

The total NRI deposits of the Bank as on September 30th, 2003 were Rs. 369.86 crores. The details of NRI deposits during the last 5 years are as under:

(Rs. in crore)

As on March 31st	1999	2000	2001	2002	2003	30.9.2003
FCNR (B)	46.63	80.95	95.97	97.21	109.02	142.28
NRE	70.56	92.49	107.39	134.12	219.19	195.60
NRNR	99.78	128.54	143.24	82.10	44.77	21.99
RFC	14.73	7.08	23.43	10.92	13.51	9.99
Total	231.70	309.06	370.03	324.35	386.49	369.86

Note: NRI Deposits as shown in the above table are term deposits.



Maturity Profile of Term Deposits

(Rs. in crore)

As on March 31 st	2001	2002	2003	30.9.2003
1-14 Days	805.86	727.15	791.15	743.90
15-28 Days	786.35	427.49	679.13	876.98
29 Days – 3 Months	1462.99	2193.76	1312.99	1955.37
3-6 Months	1551.26	1289.44	1745.45	2014.28
6 Months – 1 Year	1899.84	2215.03	3925.88	3324.93
1- 3 Years	2823.30	3690.83	4252.85	3741.18
3 – 5 Years	1318.67	1386.68	1519.89	1365.45
Over 5 Years	551.43	613.38	758.85	748.89
Total	11199.70	12543.76	14986.19	14770.98

Borrowings of the Bank

Unsecured Borrowings of the Bank as March 31st, 2003

Sr. no	Name of the lender	Outstanding Balance (Rs. in crores)	Interest Rate (as % p.a.)	Period	Date of Repayment	Repayment terms
1	NABARD	295.87	Various rates ranging from 6.5% to 13.50 %	Ongoing	Different periods	Over a period as per individual sanction – on going.
2	SIDBI Refinance	7.73	Various rates ranging from 9.00% to 13.00%	Ongoing	Different periods	Over a period as per individual sanction – on going.
3	NHB Refinance	0.09	Various rates ranging from 11.27% to 14.02%	Ongoing	Different periods	Over a period as per individual sanction – on going.
4	Tier II Bonds Sr. I	170.00	12.60	80 mths	26.4.2006	Bullet
5	Tier II Bonds Sr. II	50.00	11.50	63 mths	14.5.2006	Bullet
6	Tier II Bonds Sr. III	100.00	9.45	63 mths	29.4.2007	Bullet
7	Tier II Bonds Sr. IV	100.00	7.00	63 mths	29.6.2008	Bullet
8	Borrowing under TT discounting facility from SBI	0.17	Various rates as per the market trend	Next working day	Next working day	Bullet
9	Credit balances in NOSTRO A/c	10.95	N.A	N.A	N.A	N.A

Details of top 4 borrowings of the Bank as on March 31st, 2003:

(Rs. in crore)

		Outstanding Balance	Interest Rate (%)
1.	NABARD Refinance	295.87	Various rates ranging from 6.50% to 13.50%
2.	SIDBI Refinance	7.73	Various rates ranging from 9.00% to 13.00%
3.	NHB Refinance	0.09	Various rates ranging from 11.27% to 14.02%
4.	TT discounted with SBI at various branches	0.17	Various rates as per the market trend



The important covenants governing the major borrowings are as given below:

RBI	RBI provides Export refinance against eligible Export Credit outstandings to banks at Bank rate. Banks are free to avail / repay the Export refinance on any working day
NABARD	NABARD provides refinance to banks against the term lending to agriculture etc. Eligibility for claiming refinance at different rates are prescribed by NABARD and according to the repayment schedule the money are collected from the Bank
SIDBI	SIDBI provides refinance to banks against term lending to SSI sector etc. Eligibility for claiming refinance at different rates are prescribed by SIDBI and according to the repayment schedule the moneys are collected from the Bank
NHB	NHB provided refinance to banks against the term lending to housing sector. Eligibility for claiming refinance at different rates are prescribed by NHB and according to the repayment schedule the moneys are collected from the Bank

The above borrowings are all unsecured. No promoters / directors have given any personal guarantee for collaterally securing the borrowings. None of the lenders is an affiliate / associate of the Bank. The Bank has not defaulted in repayment / redemption of any of the borrowings. RBI's nominee director is on the Board of the Bank, the details of which are shown under the section "Board of Directors".

Servicing Behaviour

The Bank has been servicing all its principal and interest liabilities on time and there have been no defaults since inception.

Fixed and Floating rate Liabilities of the Bank

The break-up of fixed and floating rate liabilities of the Bank as on March 31st, 2003 is furnished in the following table.

(Rs. in crore)

Fixed Rate Liabilities	Amount outstanding as on 31.3.2003	Amount outstanding as on 30.9.2003
Term deposits	14986.19	14699.69
Other Deposits	7189.56	7394.45
Borrowings	314.82	345.20
Subordinated Tier II Bonds	420.00	420.00
Floating Rate Liabilities	Nil	71.29

DETAILS OF DEPLOYMENT OF FUNDS

Details of Advances

Population group-wise classification of advances for the last 5 years is given hereunder:

(Rs. in crore)

As of March 31 st ,	2000	2001	2002	2003	30.9.2003
Rural	758.67	945.58	1035.65	1067.61	1135.63
Semi-urban	652.29	745.74	828.62	867.50	877.73
Urban	1131.57	1241.69	1391.33	1490.02	1391.79
Metropolitan	3125.73	4164.40	5452.22	6599.66	5747.78
Total	5668.26	7097.41	8707.82	10024.79	9152.93



Growth of Advances

The growth of the Bank's advances during the past five years is as follows:

(Rs. in crore)

Year Ended March 31 st ,	Gross Credit	Annual Increase (%)
1998-1999	4479.44	9.85
1999-2000	5668.26	26.53
2000-2001	7097.41	25.21
2001-2002	8707.82	22.69
2002-2003	10024.79	15.12
30 th Sep. 2003	9152.90	(YOY) 5.31%

Region wise credit exposure

The region wise credit exposure of the Bank's credit portfolio as on March 31st, 2003 is given below:

(Rs. in crore)

Region	Amount	% of Gross Credit
Northern	2101.88	20.97
Eastern	261.41	2.61
Central	291.87	2.91
Western	6448.96	64.33
Southern	920.67	9.18
Total	10024.79	100.00

The above details as on September 30th, 2003 are as under:

(Rs. in crore)

Region	Amount	% of Gross Credit
Northern	935.89	10.23
Eastern	248.17	2.71
Central	348.38	3.81
Western	6013.09	65.69
Southern	1607.40	17.56
Total	9152.93	100.00



Sector wise credit portfolio

The sectorwise domestic credit portfolio of the Bank as on March 31st, 2003 is as under:

(Rs. in crore)

	Industry	Amount	Exposure to gross credit (%)
	Gross Credit	10024.79	
1	Food Credit	963.54	9.61
2	Non Food Credit:	9061.25	90.39
2 a	Medium & Large Scale Industry	2166.45	21.61
2 b	Wholesale Trade	412.05	4.11
2 c	Priority Sector	3885.23	38.76
2 d	Export Credit	463.13	4.62
2 e	All Other Sectors	2134.39	21.29
	Total (1+2)	10024.79	100.00

Industry wise classification

The Bank has a diversified industry-wise portfolio since adherence to exposure limits is followed. The industry-wise break-up of credit portfolio of top 10 industries as on March 31st, 2003 is furnished below.

Sl. No.	Name of the Industry	Outstanding to the Industry as on 31.3.2003 (Rs. in crore)	Outstanding to the Industry as % of Domestic Net Bank Credit
1	Power Generation	944.82	9.94
2	Iron & steel	250.96	2.64
3	Textiles	237.33	2.50
4	Petroleum	383.62	4.03
5	Electricity	181.80	1.91
6	Chemicals	166.59	1.75
7	All Engineering	160.89	1.69
8	Other metals	144.16	1.52
9	Automobiles	129.37	1.36
10	Food processing	76.14	0.80
	Total	2675.68	28.14



Exposure to top ten companies of the portfolio

(Rs. in crore)

Sr. No	Account Name	Industry	Outstanding	% to Total Advances	Asset Quality	RoI (% p.a.)
1	Borrower A	Food Credit	963.54	10.13	Standard	11.05
2	Borrower B	Infrastructure	349.53	3.68	Standard	6.50
3	Borrower C	Power	300.24	3.16	Standard	6.25
4	Borrower D	Power	202.82	2.13	Standard	11.50
5	Borrower E	Petroleum	200.44	2.11	Standard	Mibor + 20 bps
6	Borrower F	Housing	199.99	2.10	Standard	6.70
7	Borrower G	Housing	199.34	2.10	Standard	DRI 4% For other 11%
8	Borrower H	Petroleum	150.56	1.58	Standard	Mibor + 50 bps
9	Borrower I	Steel	139.53	1.47	Standard	9.50
10	Borrower J	Power	124.09	1.31	Standard	11.00

Exposure to top five business groups:

(Rs. in crore)

Name of Borrower	Outstanding Amount	Fund based Outstanding amount	% of gross advances
Group A	102.82	102.82	1.08
Group B	44.95	44.95	0.47
Group C	43.21	43.21	0.45
Group D	40.62	40.62	0.43
Group E	38.91	38.91	0.41
Total	270.51	270.51	2.84

Sanctions & Disbursements

The following table provides a summary of the total domestic sanctions and outstanding amount for the last five years:

(Rs. in crore)

During the year	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Sanctioned	1886.00	2761.00	3529.00	2871.00	3665.00
Outstanding as on March 31 st	4479.44	5668.26	7097.41	8707.82	10024.79



Export Credit

In tune with national priorities of boosting exports, the Bank has played a significant role in extending export credit, both in rupee terms as well as in foreign currency. The Bank's outstanding export credit as on March 31st, 2003 stands at Rs. 463.13 crore, which is 4.87% of the outstanding net advances of the Bank as against prescribed target of 12%. The Bank is making efforts to increase the advances to this sector by providing various fund based and non-fund based facilities to the exporters.

(Rs. in crore)

Year ended March 31 st ,	1999	2000	2001	2002	2003	30.9.2003
Target as % to Net Credit	12%	12%	12%	12%	12%	12%
Outstanding export credit	434.32	452.17	577.67	468.88	463.13	442.30
% of outstanding Export Credit to Net Credit	10.70	8.29	8.38	5.67	4.87	5.03

Priority Sector Lending

As per RBI norms, the Public Sector Banks' credit to the Priority Sector should be 40% of the Net Bank Credit and that for agriculture should be 18% of the Net Bank Credit. The policy of the Bank with regard to financing to the Priority Sector is based upon the norms stipulated by Reserve Bank of India. As on March 31st, 2003, the Priority Sector credit stood at 41.60% of the Net Bank Credit and Agricultural credit stood at 13.73 % of the Net Bank Credit.

Several policy initiatives have been taken during the last few years to substantially increase credit flow to Priority sectors and especially to the agricultural sectors. These initiatives include the following:

- Emphasis on sanctions and disbursements of loan
- Financing of Self Help Groups to increase micro credit
- Creation of Priority Sector cell at Regional Office level
- Proper monitoring of branches for achieving priority sector lending targets
- Financing under Kisan Credit Card Scheme
- Effective communication and publicity plan at branch level
- Focus on lending to corporate agriculture accounts and financing contract farming
- Promote agri-finance through financial assistance in agri-exports zone.

Details of Sector-wise distribution of Priority Sector Credit for the last five years is given below:

(Rs. in crore)

Year ended March 31 st ,	1999	2000	2001	2002	2003	30.9.2003
Agriculture	755.86	843.15	859.43	1072.10	1283.21	1360.52
Small Scale Industry	681.36	712.26	871.98	941.24	941.17	950.00
Other Priority Sector Advances	545.22	741.29	1051.03	1408.45	1660.85	1695.06
Total Priority Sector Credit	1982.44	2296.70	2782.44	3421.79	3885.23	4005.58
% To Net Bank Credit	46.06	42.11	40.39	41.76	41.60	45.52
Target for total priority Sector	1721.61	2181.87	2755.94	3276.96	3735.84	3520.12

Lead Districts

As required by the GoI/RBI, the Bank has been assigned the role of lead bank in 6 districts in the state of Maharashtra. The assigned lead bank responsibilities are discharged by maintaining Inter-institutional coordination in the preparation and implementation of various development programmes in each district. In terms of the recommendation made by Committee of Bankers appointed by RBI under the Chairmanship of Shri F. K. F. Nariman, RBI formulated Lead Bank Scheme in December 1969. Under the scheme each district has been assigned to different banks to act as a consortium leader to co-ordinate the efforts of banks in districts, particularly in matters of branch expansion and credit planning. The implementation of the Lead



Bank Scheme can broadly be divided into six phases as under:

1. Allocation of districts among various commercial banks for assuming the role of lead district responsibility.
2. Conducting of surveys and identification of growth centres for branch expansion.
3. Constitution of District Consultative Committees in all the lead districts.
4. Preparation of first round District Credit Plan (DCP).
5. Preparation and implementation of Annual Action Plan (AAP).
6. Introduction of Service Area Approach (SAA).

Details of branch network, resources mobilised and advances made in the lead districts are as under:

(Rs. in crore)

State	No. of lead districts	No. of branches in lead districts	Total deposits of Bank of Maharashtra branches	Total advances of Bank of Maharashtra branches (A)	Advances to priority sector (B)	Percentage to total advances (B/A)
Maharashtra	6	372	5867	2410	1238	51.37

As per Gol/RBI guidelines, the benchmark of 40% advances to priority sector has been surpassed in all the Lead Districts. The performance of the branches in the lead districts is monitored by the Regional Offices and the Head Office. The Bank's Board is apprised with the progress on a quarterly basis.

Loan Policy and Lending Activities

The Bank's Lending policy conforms to various directives / instructions/guidelines issued by the Government of India/ Reserve Bank of India/ Bank's Board of Directors and the Top Management of the Bank.

The purpose of the policy is to enunciate the thrust areas, risk factors, and set out credit exposure limits. The policy serves as a broad guideline for credit dispensation by the Bank. The main objective of the policy is to build up a well diversified and a quality credit portfolio with a focus on thrust areas, to optimise the return on lending and to avoid any possible negative mismatch in ALM.

The policy is flexible and intends to provide for changes in the economic scenario and also provides for any competitive element in banking as well as to include any reforms introduced from time to time.

Keeping in view, the diverse and changing credit needs of the people, the Bank's strategy is to aim at segmentation of the market and to offer suitable credit products. Bank is endeavouring to increasingly customize various loan products. Apart from which the strategy is to offer banking services through specialised branches by evolving special credit schemes in the case of large and important segments.

Bank is also following prudential exposure norms relating to credit exposure to a single borrower/group within the overall

norms laid down by RBI. Further, for managing concentration risk, the Bank has also laid down norms for restricting credit to a single industry to an extent of 10% of total credit of the Bank.

The Bank's Board delegates the credit sanction authority with prudential limits to its officers working in branches and administrative offices. Bank has delegated adequate lending powers, which are reviewed periodically. The proposals falling beyond the delegated lending powers of C&MD are considered by the Management Committee of the Board comprising of C&MD, ED, one nominee Directors of RBI and Government of India each, besides three other Directors of the Bank.

The Bank has laid down detailed procedure for sanction of various types of loans/credit facilities. Officers having technical /credit skills appraise the proposals for project finance from clients. Similarly, corporate finance is extended after close scrutiny of the projections/estimates and also after analysing economic/financial viability of the borrower/unit. Retail loans are considered within the criteria stipulated by the Board of Directors. Retail proposals are duly scrutinised and decided by the appropriate authority.

In line with RBI guidelines on Risk Management, Bank has set up approval grid committees at Central Office and at all its Regional Offices headed by senior executives of the Bank. The respective credit approval grids analyse the credit request received above a certain cut off limit and examine the viability and the credit risk involved in the proposed exposure. Further appraisal of the credit proposal is taken up only on receiving the risk perception of the credit approval grid.

Bank has in place a well spelt out credit rating system under which the borrowal accounts of Rs. 2 lakhs and above,



excluding certain categories, like export credit, agriculture, retail advances etc. are rated on several parameters and the advance is priced with a suitable markup to PLR based on the credit rating. Bank also has in place a well-defined Risk Management Policy aimed at mitigating various risks.

As a part of monitoring of credit, the Bank has also implemented a system of Loan Review Mechanism and Audit as per RBI guidelines. Bank also has in place a distinct and well-defined Loan Review Policy through which the entire loan portfolio of the Bank is reviewed from time to time based on macro economic fundamentals.

Credit Approval Authority and Procedures

The Bank has a well-laid policy on exercising of delegation of lending powers for credit approval and from the purpose of risk management, all major credit approval are done in two tiers, minimum wherein the committee of senior executives/ officers take the decision jointly.

There are various schemes for credit dispensation and laid down procedures for pre-dispensation and post dispensation, follow up and monitoring of the credit exposures

Fresh credit proposals sanctioned by sanctioning authorities at Head Office during FY03

Sanctioning Authority	No of Accounts	Funded	Non Funded
Management Committee	51	2924.80	284.69
Chairman & MD	38	705.47	25.10
Executive Director	61	556.06	66.74
General Manager	57	123.65	16.64
Total	207	4309.98	393.17

Credit Exposure

The Bank has a wide network of branches in the State of Maharashtra, which has resulted in the largest proportion of its advances being in the Western Region (64.33%) followed by Northern Region (20.97%) and the Southern region (9.18%), Central Region (2.91%) and Eastern Region (2.61%)

(Rs. in crore)

Region	Amount	% of Gross Credit
Northern	2101.88	20.97
Eastern	261.41	2.61
Central	291.87	2.91
Western	6448.96	64.33
Southern	920.67	9.18
Total	10024.79	100.00

Investments and Asset -Liability Management

Investment Policy and Portfolio

The Bank has a well-defined Investment Policy, within the framework of RBI guidelines, providing a platform on which the Investment portfolio is managed efficiently and the following are the objectives of the Policy:

- To deploy the surplus funds fully and effectively after meeting Statutory Reserves.
- To seek maximum income within reasonable limits of risk in tune with liquidity and quality objectives.
- To keep the level of interest rate risk within manageable levels.
- To maintain a maturity structure, consistent with the Bank's risk parameters.
- To provide enough liquidity to meet potential withdrawals or increased demand for credit.
- To take advantage of temporary aberrations in the market yield and earn trading profit wherever possible.
- To meet all regulatory standards.

The Policy is approved by the Board and is reviewed at regular intervals.

The Investment portfolio has a well-diversified level of quality in the portfolio among:

- Issues.
- Industries.
- Security type.
- Maturities.

As on March 31st, 2003, the investments of the Bank have registered an increase of Rs. 1,892.34 crores (19.09%) over the previous year. On an average basis, the rise was Rs. 996.31 crores (10.15%) during the last year. Segregation of investments is done as per RBI Guidelines.

Valuation of investments is done on the basis of current market prices and YTM declared by Fixed Income Money market & Derivatives Association of India (FIMMDA).

The Statutory requirement of SLR was maintained throughout the last year with very comfortable cushion.

The overall income from Investments was Rs. 1,353.18 crores in the last year, contributing by the interest income from investments (Rs.1137.24 crores) as well as the profit on sale of securities (Rs.215.94 crores).



However, due to the declining interest rate regime, the average yield on investments has reported a decline of 68 basis points from 11.20% for March 31st, 2002 to 10.52% for March 31st, 2003.

The break-up of the Bank's investments is given below:

(Rs. in crore)

	March 31 st , 1999		March 31 st , 2000	
	Amount	% to total	Amount	% to total
SLR	3,834.84	67.44	5,337.23	71.36
Recapitalisation Bonds	746.27	13.12	746.27	9.98
Non SLR	1,105.54	19.44	1,396.24	18.66
Total Investment	5,686.65	100.00	7,479.74	100.00
Out of which				
Permanent Securities	-	-	-	-
Current Securities	3,834.84	67.44	5,337.23	71.36
Special Securities	746.27	13.12	746.27	9.98
Other Securities	1,105.54	19.44	1,396.24	18.66
Total	5,686.65	100.00	7,479.74	100.00

The break-up of the Bank's investment as per the revised format introduced by RBI is given below:

(Rs. in crore)

	March 31 st , 2001		March 31 st , 2002		March 31 st , 2003	
	Amount	% to total	Amount	% to total	Amount	% to total
SLR	6810.30	77.03	7698.89	77.70	9669.42	81.93
Recapitalisation Bonds	746.27	8.44	746.27	7.53	746.27	6.33
Non SLR	1284.30	14.53	1464.02	14.77	1,385.84	11.74
Total Investment	8840.87	100.00	9909.18	100.00	11,801.53	100.00
Out of which						
Held to Maturity	2541.92	28.75	2720.06	27.45	2,631.26	22.30
Available for Sale	6298.95	71.25	7189.12	72.55	9,146.73	77.50
Held for Trading	-	-	-	-	23.54	0.20
Total	8840.87	100.00	9909.18	100.00	11,801.53	100.00

The Bank is active in trading in investments and takes advantage of market conditions. The Bank made net profits on sale of investments of Rs 167.00 crores and Rs. 215.94 crores during the year 2001-02 and 2002-2003 respectively.

The total investments (net of provision) of the Bank stood at Rs. 9,909.18 crores and Rs. 11,801.53 crores as on March 31, 2002 and March 31st, 2003 respectively posting a growth of 19.10% during the year 2002-2003. Out of the total investments, approved securities amounted to Rs. 9669.42 crores, while investments in PSU bonds / debentures / shares stood at Rs. 1219.07 crores.

The market value and book value of quoted investments as on March 31st, 2003 was Rs. 10849.73 crore and Rs. 9890.25 crores respectively. The same as on March 31st, 2002 was Rs. 8898.78 crores and Rs. 7951.51 crores.



Statement of Average Investment and Yield on Investments

The yield on investments (%) for the last five years is given below:

As on March 31 st	1999	2000	2001	2002	2003
(Rs. in crore)					
Inclusive of SLR/Non-SLR / Gol Special					
1. Average Investment	5081.18	6893.25	7954.17	9811.17	10807.48
2. Income (inclusive of dividend on shares)	604.28	823.90	935.91	1099.32	1137.24
Yield on Domestic investments (%)	11.89	11.95	11.77	11.20	10.52

Details of Interest Earning Assets & Liabilities

Particulars	2001	2002	2003
Average Interest Earning Assets (Rs. in crores)	16204.43	18659.89	22015.15
Interest rates on Interest Earning Assets (%)	10.53	10.71	9.46
Average Interest Bearing Liabilities (Rs. in crores)	15820.24	17911.19	20997.82
Interest rates on Interest Bearing Liabilities (%)	7.25	7.88	6.69
Average Balances – Interest Bearing Rupee Liabilities (Rs. in crores)	15627.63	17842.42	20986.87
Interest rates – Interest Bearing Rupee Liabilities (%)	7.34	7.91	6.70

ASSET CLASSIFICATION, INCOME RECOGNITION & PROVISIONING

Regulatory Position

In keeping with RBI guidelines on asset classification, income recognition and provisioning, the Bank has adopted the system of classifying the advances under 4 categories:

Category	Classification
1. Performing	
Standard Asset	An asset which is not overdue in repayment for more than 180 days and does not carry more than the normal business risk.
2. Non-Performing	
a) Sub-standard Asset	An asset which has been non-performing for a period less than or equal to eighteen months
b) Doubtful Asset	An asset, which has been non-performing for a period exceeding eighteen months.
c) Loss Asset	Asset where loss has been identified by the Bank or auditors / RBI, but the amount has not been written off completely. The value of security is less than 10%.

For this purpose, all advances are segregated into performing assets (standard assets) and non-performing assets. A borrowal account is classified as Non Performing Assets (NPA) when interest and/or instalment are due for more than 180 days. Borrowal accounts which remain as NPA for not exceeding one and half years are classified as sub standard assets and borrowal accounts which remain as NPA for more than one and half years are classified as doubtful assets. NPAs where securities are less than 10% and which are considered as difficult to recover are classified as loss assets.

When an account is classified as NPA, interest already debited to the account but not realised, is de-recognised. Thereafter interest is recovered on cash basis.

Provisions are arrived on all outstanding NPAs, as under:

- Sub Standard Assets at 10% of the outstanding
- Doubtful Assets at 20% or 30% or 50% of the secured portion based on the number of years the account remained as "Doubtful Asset" (i.e. up to one year, one to three years and more than three years respectively) and at 100% of the



unsecured portion of the outstanding after netting retainable or realisable amount of the guarantee claims already received / lodged with DICGC/ECGC, if any.

- c) Loss Assets at 100% of the outstanding after netting retainable amount of the guarantee claims already received/lodged with DICGC/ECGC, if any.

The asset quality of the Bank has improved considerably during the last three years. Between FY 2000-01 to FY 2002-03, Gross NPA to Gross Advances ratio improved from 12.35% to 9.55% while Net NPA to Net Advances ratio improved from 7.41% to 4.82%.

NPA MANAGEMENT STRATEGY

For effective management of NPA portfolio with an ultimate aim to bring down the Non Performing Assets, the Bank has put in place detailed operational guidelines.

- a) A system called Credit Administration and Monitoring (CREAM) is implemented by capturing the entire data base of credit portfolio of the Bank on computer, which provides early warning signals on irregularities and also gives the required output for monitoring of "Special Mention Accounts", (Stressed Accounts) and for arresting slippages to NPAs. The system also provides structured output for detailed analysis of NPA portfolio. The irregularities are followed up vigorously for rectification thereof.
- b) An indepth analysis of NPA portfolio is undertaken every year for identifying the accounts for recovery follow up and action plan, especially for NPA accounts over Rs 1

lakh is chalked out at the beginning of the year and followed up through out the year at various hierarchical levels. In addition, in respect of the accounts, which are technically feasible necessary rehabilitation package is considered after studying techno-economic viability.

- c) The Bank has formulated a comprehensive Recovery Management and Compromise Policy based on RBI guidelines, issued from time to time, which is duly approved by the Board of Directors of the Bank. The policy provides an inbuilt flexibility for easy implementation by the field offices. The policy also covers guidelines on writing off the debts.
- d) With regard to the borrowers who do not respond to Bank's recovery measures, legal action is initiated immediately for safeguarding the securities charged. Criminal action is also initiated wherever found necessary.
- e) For ensuring expeditious disposal of the cases before Debt Recovery Tribunals, exclusive DRT Cells headed by Chief Managers are established at Mumbai and Delhi and Liaison officers at each Regional Office also monitor the progress of DRT cases.
- f) Non-Performing Assets of Rs.20.00 lacs & above and all DRT cases are monitored at Regional Offices/Central Office on monthly basis through exclusive software developed for the purpose.
- g) Every year branches are allocated targets for reduction in NPAs and the same is monitored at various levels on monthly basis.

General data on Non-Performing Assets

The details of Non-Performing Assets of the Bank are furnished in various tables below.

Particulars	(Rs. in crore)			
	2001	2002	2003	30.9.2003
Gross NPA at the beginning of the year	716.79	876.63	906.42	957.54
Addition during the year	345.37	241.88	267.45	208.95
Reduction during the year	185.53	212.09	216.33	67.35
Upgradation	9.67	21.59	21.55	8.29
Cash Recovery	53.10	59.12	63.52	26.34
Compromise	41.71	48.37	38.93	16.84
Write-off	81.05	83.01	92.33	15.88
Gross NPA at the end of the year	876.63	906.42	957.54	1099.14
Provision	340.75	396.31	465.95	572.76
Interest Suspense	-	-	-	-
DICGC & ECGC Balance	38.21	30.40	32.45	32.30
Net NPA at the end of the year	497.67	479.71	459.14	494.08



The provision of Rs. 465.95 crore given in the above table is the gross provision as on March 31st, 2003, while Rs. 161.97 crores representing "provision of bad & doubtful debts" given in Statement of Profit & Loss under the Auditors Report represents the provision made and debited to Profit & Loss Account during the FY 2002-03. The percentage of provision to Gross NPAs as on March 31st, 2003 for the Bank was 48.66% as compared to that of PSBs at 47.20%.

Asset classification of performing and non performing assets for the last five years

(Rs. in crore)

Classification of assets as on March 31 st	1999	2000	2001	2002	2003	30.9.2003
Standard assets	3763.68	4951.47	6220.78	7775.41	9067.25	8053.79
Sub-standard	225.82	216.28	258.01	223.45	271.79	321.68
Doubtful	439.26	461.38	491.11	564.50	561.33	622.70
Loss	50.68	39.13	127.51	118.47	124.42	154.76
Gross NPAs	715.76	716.79	876.63	906.42	957.54	1099.1
Gross Advances	4479.44	5668.26	7097.41	8681.83	10024.79	9152.93

Classification of assets as on March 31 st (As a % of advances)	1999	2000	2001	2002	2003	30.9.2003
Standard assets	84.02	87.35	87.65	89.56	90.45	88.00
Sub-standard	5.04	3.82	3.64	2.58	2.71	3.51
Doubtful	9.81	8.14	6.91	6.50	5.60	6.80
Loss	1.13	0.69	1.80	1.36	1.24	1.69
Gross NPAs	15.98	12.65	12.35	10.44	9.55	12.00
Gross Advances	100.00	100.00	100.00	100.00	100.00	100.00

The gross advances figures shown in the above table are for the entire operations of the Bank. After netting of the provisions from the non-performing assets and netting of the amount of DICGC/ECGC balance from the gross advances, the net figures are shown as advances in the Statement of Assets and Liabilities in the Auditor's Report.

As of March 31st, 2003, nearly 40% of the total NPAs are older than three years of which more than half are contested and hence require more than normal time for recoveries therein. Moreover, there are fresh additions in NPAs over that of reduction by way of upgradation recovery etc. However, with further streamlining of legal mechanism, enactment of Securitisation Act, 2002, and use of monitoring tools and with comprehensive recovery & compromise policy put in place, Bank envisages improvement in above positions.

The position regarding the number and details of the current NPA accounts are indicated below:

(Rs. in crore)

	No. of accounts as on March 31 st , 2003	NPA as on March 31 st , 2003	Amount of interest not debited as on March 31 st , 2003
Below Rs. 25,000/-	101265	96.54	49.31
Above Rs. 25,000/-	34407	861.00	498.58
Total	135672	957.54	547.89

	No. of accounts as on Sept 30 th , 2003	NPA as on Sept. 30 th , 2003	Amount of interest not debited as on September 30 th , 2003
Below Rs. 25,000/-	106570	109.32	54.74
Above Rs. 25,000/-	46786	989.82	547.51
Total	153356	1099.14	602.25



Industrywise Classification of top 10 NPA A/Cs – as on March 31st, 2003

(Rs. in crore)

Sr.No	Industry	Balance outstanding	% to the gross advance	Category
1	Basic Metals	81.60	0.81	Different accounts under different categories under NPA
2	Food Processing	53.33	0.53	Different accounts under different categories under NPA
3	Textiles	52.52	0.52	Different accounts under different categories under NPA
4	Heavy & Light Engg.	33.12	0.33	Different accounts under different categories under NPA
5	Infrastructure	24.18	0.24	Different accounts under different categories under NPA
6	Chemicals	23.37	0.23	Different accounts under different categories under NPA
7	Pharma Products	21.45	0.21	Different accounts under different categories under NPA
8	Electricals	20.15	0.20	Different accounts under different categories under NPA
9	Paper & printing	13.40	0.13	Different accounts under different categories under NPA
10	Plastics	13.18	0.13	Different accounts under different categories under NPA
	Total	336.30	3.35	Different accounts under different categories under NPA

Industrywise Classification of top 10 NPA A/Cs – as on September 30th, 2003

(Rs. in crore)

Sr.No	Industry	Balance outstanding	% to the gross advance	Category
1	Basic Metals	88.59	0.97	Different accounts under different categories under NPA
2	Textiles	52.60	0.57	Different accounts under different categories under NPA
3	Food Processing	46.81	0.51	Different accounts under different categories under NPA
4	Heavy & Light Engg.	32.27	0.35	Different accounts under different categories under NPA
5	Chemicals	29.43	0.32	Different accounts under different categories under NPA
6	Electricals	20.85	0.23	Different accounts under different categories under NPA
7	Pharma Products	19.11	0.21	Different accounts under different categories under NPA
8	Infrastructure	17.51	0.19	Different accounts under different categories under NPA
9	Automobiles	16.13	0.18	Different accounts under different categories under NPA
10	Plastics	15.15	0.17	Different accounts under different categories under NPA
	Total	338.45	3.70	Different accounts under different categories under NPA



Sector wise analysis of Gross Non-Performing Assets

The sector-wise analysis of NPAs for the last three years is

Sector	2000-2001		2001-2002		2002-2003		30.9.2003	
	Amount	%	Amount	%	Amount	%	Amount	%
Agriculture	170.70	19	211.68	23	200.12	21	256.67	23
Small Scale Industries	184.85	21	197.94	22	208.23	22	226.24	21
Other Priority	139.80	17	142.60	16	165.93	17	208.47	19
Sub Total: Priority	495.35	57	552.22	61	574.28	60	691.38	63
Large & Medium Scale Industries	255.00	29	193.45	21	233.31	24	253.93	23
Non-Priority – Others	126.28	14	160.75	18	149.95	16	153.83	14
Sub Total: Non-Priority	381.28	43	354.20	39	383.26	40	407.76	37
Total	876.63	100.00	906.42	100.00	957.54	100.00	1099.14	100

All quantitative disclosures regarding non-performing assets are in conformity with RBI norms.

ASSET LIABILITY MANAGEMENT

Basically Asset Liability Management (ALM) is the management of both assets and liabilities simultaneously for the purpose of minimizing the adverse impact of interest rate risk, providing liquidity and enhancing the market value of equity. RBI has come out with comprehensive guidelines to implement ALM in systematic manner in the banks.

The Bank has well- designed Asset Liability Policy in its place since 1999.

The objectives are:

- To ensure adequate liquidity position
- To maximise the net interest margin by proper management of interest rate risk.
- To manage and reduce currency risk and trading risk.
- To achieve prescribed Capital Adequacy ratio.
- To ensure planned growth of business.

The Policy is being reviewed every year and redesigned according to requirements. The Policy also provides for contingency plans to meet the extreme situations. Excess SLR investments will be off loaded as first option to match the outflow of funds in case of emergencies and the control would be maintained to ensure that cumulative mismatch over a period of time does not exceed the excess SLR securities.

In consultation with NIBM, the Bank undertook a study on behavioural pattern on maturity of deposits and payments/renewals made, on the basis of historical data and the findings are implemented for making accurate and realistic assessment of the asset liability mismatches.



The maturity profile of assets and liabilities as on March 31st, 2003 are as under:

(Rs. in crore)

Maturity Pattern	Domestic Deposit	Domestic Advance	Investment (Gross)	Borrowing	Foreign currency	
					Assets	Liabilities
1-14 days	692.42	1023.81	123.40	0.18	376.86	262.94
15-28 days	203.73	476.49	7.97	0.00	174.20	22.92
29 days up to 3 months	393.90	820.08	142.34	0.79	1404.07	880.17
Over 3 months up to 6 months	523.64	477.30	49.55	32.90	794.18	728.69
Over 6 months up to 12 months	1177.76	530.32	155.67	41.54	622.21	569.91
Over 1 year up to 3 years	8016.95	4875.25	1290.96	137.81	10.92	41.03
Over 3 years up to 5 years	4061.39	821.38	2307.87	58.20	0.00	0.19
Over 5 years	7105.96	483.51	7749.16	32.45	0.00	0.00
Total	22175.75	9508.14	11826.92	303.87	3382.44	2505.85

Statement of Borrowings as on March 31st, 2003

(Rs. in crore)

	India	Foreign	Total
Borrowings in India			
Reserve Bank of India	—	—	—
Other Banks	0.17	—	0.17
Other Institutions & Agencies	303.70	—	303.70
Borrowings outside India	—	10.95	10.95
Grand Total	303.87	10.95	314.82

Maturity profile of the Asset and Liability as on March 31st, 2003

(Rs. in crore)

Maturity	1-14 days	15-28 days	29 days-3 mths	3-6 mths	6-12 mths	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total
Outflows									
1. Capital	—	—	—	—	—	—	—	330.52	330.52
2. Reserve & Surplus	—	—	—	—	—	—	—	649.75	649.75
3. Deposits	706.85	171.14	481.62	670.57	799.09	7431.78	3497.69	8417.02	22175.7
4. Borrowings	18.89	25.19	28.33	25.19	12.59	31.48	351.48	241.67	734.82
5. Interest Accrued/ payable	1.76	1.20	3.37	4.70	5.60	4.88	24.50	58.95	104.96
6. Other Liability and Provision	354.19	241.27	1189.18	1071.10	799.42	525.63	96.26	109.73	4386.78
A: Total Outflows	1081.69	438.80	1702.50	1771.56	1616.70	7993.77	3969.93	9807.64	28382.59
B: Cumulative Outflows	1081.69	1520.49	3222.99	4994.55	6611.25	14605.02	18574.95	28382.59	—



Maturity	1-14 days	15-28 days	29 days-3 mths	3- 6 mths	6 - 12 mths	1- 3 yrs.	3- 5 yrs.	Over 5 yrs.	Total
Inflows									
1. Cash	172.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	172.03
2. Balance with RBI	635.49	38.52	12.42	29.04	38.59	42.25	367.77	589.61	1753.69
3. Balance with other Banks	198.93	0.0	69.00	249.85	0.00	0.00	0.00	93.85	611.63
4. Investments	175.22	56.51	196.09	179.45	250.16	2141.88	2200.58	6601.65	11801.54
5. Advances	575.71	355.20	848.74	527.65	634.05	5064.04	987.06	515.70	9508.15
6. Fixed Assets	0.00	0.0	0.00	0.00	0.0	0.00	0.00	155.41	155.41
7. Other Assets	431.22	191.26	1309.62	726.39	698.87	609.25	50.91	6.39	4023.91
8. Interest Accrued	27.40	27.40	123.31	178.12	0.00	0.00	0.00	0.00	356.23
9. Foreign exposure									
C: Total Inflows	2216.00	668.89	2559.18	1890.50	1621.67	7857.42	3606.32	7962.61	28382.59
D: Cumulative Inflows	2216.00	2884.89	5444.07	7334.57	8956.24	16813.66	20419.98	28382.59	0.00
E: Mismatch (C-A)	1134.31	230.09	856.68	118.94	4.97	-136.35	-363.61	-1845.03	0.00
F: Cumulative Mismatch (D-B)	1134.31	1364.40	2221.08	2340.02	2344.99	2208.64	1845.03	0.00	0.00
F: Mismatch as % to total outflows	104.86	52.44	50.32	6.71	0.31	-1.71	-9.16	-18.81	0.00

Maturity profile of the Asset and Liability as on March 31, 2002

(Rs. in crore)

Particulars	1-14 days	15-28 days	29 days-3 mths	3- 6 mths	6 - 12 mths	1- 3 yrs.	3- 5 yrs.	Over 5 yrs.	Total
Outflows									
1. Capital	—	—	—	—	—	—	—	330.52	330.52
2. Reserve and Surplus	—	—	—	—	—	—	—	367.2	367.2
3. Deposits	644.6	128.25	658.13	386.83	664.51	7267.68	3495.42	5885.21	19130.63
4. Borrowings	119.46	24.11	27.12	24.11	12.05	30.14	250.14	235.62	722.75
5. Other liabilities & Provisions	470.76	211.54	1228.5	1131.72	816.33	179.96	115.01	149	4302.82
A. Total Outflows	1234.82	363.9	1913.75	1542.66	1492.89	7477.78	3860.57	6967.55	24853.92
B. Cumulative Outflows	1234.82	1598.72	3512.47	5055.13	6548.02	14025.8	17886.37	24853.92	



(Rs. in crore)

Particulars	1-14 days	15-28 days	29 days-3 mths	3- 6 mths	6 - 12 mths	1- 3 yrs.	3- 5 yrs.	Over 5 yrs.	Total
Inflows									
1. Cash	164.73	—	—	—	—	—	—	—	164.73
2. Balance with RBI	502.55	40.22	10.05	37.43	24.21	35.41	359.57	464.11	1473.55
3. Balance with other banks	181.27	—	69	120	—	—	—	93.85	464.12
4. Investments [Performing]	188.68	47.14	241.27	230.41	258.9	2133.84	1871.49	4937.46	9909.19
5. Advances [Performing]	438.59	184.72	482.56	327.1	620.46	4826.77	399.73	465.06	7744.99
6. NPAs	—	—	—	—	—	—	501.14	8.97	510.11
7. Fixed Assets	—	—	—	—	—	—	—	156.74	156.74
8. Other Assets	598.34	403.73	1159.42	931.61	700.69	575.92	51.69	9.09	4430.49
C. Total Inflows	2074.16	675.81	1962.3	1646.55	1604.26	7571.94	3183.62	6135.28	24853.92
D. Cumulative Inflows	2074.16	2749.97	4712.27	6358.82	7963.08	15535.02	18718.64	24853.92	—
Mismatch (C-A)	839.34	311.91	48.55	103.89	111.37	94.16	-676.95	-832.26	0
Cumulative Mismatch (D-B)	839.34	1151.25	1199.8	1303.69	1415.06	1509.22	832.26	0	0
Mismatch as % to Outflows	67.97	85.71	2.54	6.73	7.46	1.26	-17.53	-11.95	0

Maturity profile of the Asset and Liability as on March 31, 2001

(Rs. in crore)

Particulars	1-14 days	15-28 days	29 days-3 mths	3- 6 mths	6 - 12 mths	1- 3 yrs.	3- 5 yrs.	Over 5 yrs.	Total
Outflows									
Capital	—	—	—	—	—	—	—	330.52	330.52
Reserve and Surplus	—	—	—	—	—	—	—	247.44	247.44
Deposits	500.42	117.95	1462.99	1551.26	1899.84	9619.61	1318.67	553.81	17024.55
Borrowings	192.66	0	0.97	21.32	22.58	65.31	28.72	230.13	561.69
Other liabilities & Provisions	515.4	166.37	1544.76	874.8	789.91	101.57	14.26	353.4	4360.47
A. Total Outflows	1208.48	284.32	3008.72	2447.38	2712.33	9786.49	1361.65	1715.3	22524.67
B. Cumulative Outflows	1208.48	1492.8	4501.52	6948.9	9661.23	19447.72	20809.37	22524.67	—



Rs. in crore)

Particulars	1-14 days	15-28 days	29 days-3 mths	3- 6 mths	6 - 12 mths	1- 3 yrs.	3- 5 yrs.	Over 5 yrs.	Total
Inflows									
Cash	154.43	—	—	—	—	—	—	—	154.43
Balance with RBI	443.7	43.3	15.95	117.03	117.46	135.83	687.78	133.88	1694.93
Balance with other banks	418.7	62.45	111.2	1.96	0.57	80.23	0.66	0.96	676.73
Investments	146.11	52.41	388.8	404.93	553.72	2519.68	1827.34	2947.88	8840.87
Advances [Performing]	648.75	210.58	392.03	570.83	1013.63	2268.27	659.13	373.42	6136.64
NPAs	—	—	—	—	—	—	516.61	19.28	535.89
Fixed Assets	—	—	—	—	—	—	—	119.94	119.94
Other Assets	447.42	120.39	1382.13	1086.38	997.89	263.54	43.09	24.40	4365.24
C. Total Inflows	2259.11	489.13	2290.11	2181.13	2683.27	5267.55	3734.61	3619.76	22524.67
D. Cumulative Inflows	2259.11	2748.24	5038.35	7219.48	9902.75	15170.3	18904.91	22524.67	—
Mismatch (C-A)	1050.63	204.81	-718.61	-266.25	-29.06	-4518.94	2372.96	1904.46	—
Cumulative Mismatch (D-B)	1050.63	1255.43	536.82	270.57	241.51	-4277.43	-1904.46	0	—
Mismatch as % to Outflows	86.94	72.03	-23.88	-10.88	-1.07	-46.18	174.27	111.03	—

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION OF THE BANK FOR THE LAST FIVE YEARS

KEY ACCOUNTING RATIOS

Year Ended on March, 31	1999	2000	2001	2002	2003
Earning Per Share (Rs.)	2.57	3.52	1.41	4.73	6.72
Cash Earning per share (Rs.)	5.50	6.80	6.92	11.28	13.52
Return on Net worth (%)	15.51	18.14	6.85	19.27	23.42
Net Asset Value per Share (Rs.)	16.56	19.42	20.52	24.53	28.69

Note: Face value per share is taken as Rs. 10/-

Other ratios	1999	2000	2001	2002	2003
Net NPA to Net Advances (%)	8.72	6.97	7.41	5.81	4.82
Interest Income/Working Funds (%)	10.42	10.47	10.41	9.90	9.26
Non-Interest Income/ Working Funds (%)	0.99	1.32	1.36	1.52	1.60
Return on assets (%)	0.69	0.76	0.24	0.72	0.89
Net Profit/ Working Funds (%)	0.78	0.82	0.28	0.77	0.99
Business Per Employee (Rs. in lakhs)	90.62	114.84	164.77	191.44	221.96
Net Profit per Employee (Rs. in lakhs)	0.52	0.72	0.33	1.10	1.58
Capital Adequacy Ratio (%)	9.76	11.66	10.64	11.16	12.05
Tier I	7.89	7.41	6.39	6.56	6.16
Tier II	1.87	4.25	4.25	4.60	5.89
Credit Deposit Ratio	37.17	39.18	39.19	43.15	42.8



Other ratios	1999	2000	2001	2002	2003
Interest Spread/ Average Working Fund (%)	3.68	3.33	3.41	2.91	3.01
Gross profit (operating Profit) to Average Working Funds (%)	1.24	1.65	1.46	2.06	2.32
Return On Average Net Worth (%)	12.45	19.58	7.04	20.99	25.25
Yield on Advances (%)	11.59	11.93	11.59	11.08	10.27
Yield on Investments (%)	11.89	11.95	11.77	11.20	10.52
Cost of Deposits (%)	7.64	8.00	7.80	7.78	7.07
Cost of borrowings (%)	6.71	7.04	7.00	6.99	6.25
Operating/ Gross Profit per employee (Rs. in lakhs)	0.83	1.44	1.69	2.93	3.71
Business per branch (Rs. In lakhs)	1261.42	1546.98	1924.48	2215.92	2530.80
Operating Profit / Gross Profit per Branch (Rs. in lakhs)	11.50	19.38	19.69	33.96	42.25

Note: From the above table it can be observed that the yield on advances and investments are declining, which is the industry trend. But as can be seen that the cost of deposits have also come down simultaneously, which resulted in retaining the spread. Further, the operating profit is increasing due to increase in other incomes.

Definitions of key ratios:

Ratio	Definition
Earning per share	Net profit after adjustments/ Number of shares at the end of the year
Cash earning per share	Net profit plus depreciation plus provisions & contingencies (excluding provision for taxes & provision for staff welfare fund)/ Number of shares at the end of the year
Net Asset Value per share	Capital plus reserves after adjustments/ Number of shares at the end of the year
Return on Net worth	Net profit after adjustments/ Adjusted net worth
Average Working Funds	Fortnightly average Assets as per Form X
Return on assets	Net profit/ Total assets
Business per employee	Total Deposits excl bank deposits + Net Advances / Number of Employees
Interest Spread	Interest income less interest expenses / Average working funds
Operating profit to Average working funds	Net profit plus Provisions & Contingencies/ Average working funds
Yield on advances	Interest earned on advances/ Fortnightly average advances
Yield on Investments	Interest earned on Investments/ Fortnightly average investments
Cost of Deposits	Interest expended on deposits / Fortnightly average deposits
Cost of borrowing	Interest paid/ Average working fund
Operating profit per employee	Net Profit plus provisions and contingencies / Number of employees
Business per branch	Total Deposits excl bank deposits + Net Advances / number of branches at the end of the year
Operating profit per branch	Net profit plus provisions and contingencies / number of branches at the end of the year



No. of Employees	1998-99: 16356	1999-2000: 16098	2000-01: 14238
	2001-02: 14145	2002-03: 14047	
Average Net Worth (Opening Network plus Closing net worth divided by 2)	1998-99: Rs 682.02 Crore	1999-2000: Rs 594.55 Crore	
	2000-01: Rs 660.07 Crore	2001-02: Rs 744.57 Crore	
	2002-03: Rs 879.45 Crore		
Average Investments, Average Advances & Average Deposits	As per Form X		
No. of Branches	1998-99: 1175	1999-2000: 1195	2000-01: 1219
	2001-02: 1222	2002-03: 1232	

Notes:

1. Interest earning assets consist of performing loans, investments in approved and unapproved securities, proportionate cash with Reserve Bank of India, call money/term money lent, deposits kept abroad, etc.
2. Interest bearing liabilities consist of deposits, call money borrowings, refinances, subordinate debts, Tier II bonds, etc.
3. Interest expenses apportioned to interest earning assets are calculated by multiplying total interest expenses by the ratio of average interest earning assets to average interest bearing liabilities.
4. Gross yield equals interest income divided by average interest earning assets.
5. Average cost of loan funds equals interest expenses divided by average interest bearing liabilities.
6. Yield spread represents the difference between gross yield and average cost of loan funds.
7. Return on average assets is the net profit for the year divided by average total assets.
8. All financial ratios, capital adequacy ratios are computed in conformity with RBI norms.

CAPITAL ADEQUACY RATIO

The RBI guidelines on Capital Adequacy Ratio (CAR) generally conform to the guidelines adopted by the Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements (BIS). The RBI requires that assets, non-funded items and other off-balance sheet exposures are assigned weights according to prescribed risk weights and that each Bank must maintain capital levels equivalent to a prescribed ratio to such risk weighted assets.

Capital

For the purpose of calculating the CAR, capital of a bank is divided into two classes i.e. Tier I capital and Tier II capital. Tier I capital, also known as core capital, represents amounts readily available to support the Bank against unexpected losses. Tier-I capital consists of paid up capital, statutory reserves and other disclosed free reserves. Tier-II capital comprises elements that are less permanent in nature and thus not readily available. Tier II capital consists of subordinated debt (with a minimum maturity of five years), undisclosed reserves, cumulative perpetual preference shares, revaluation reserves (to the extent of 45% of the total amount of revaluation reserves on the Bank's book), general provisions and hybrid capital. The total capital for the calculation of CAR is the sum of Tier I capital and Tier II capital and is taken, with the condition that the Tier II capital should not exceed Tier I capital. RBI vide its circular dated October 31st, 1998 prescribed that banks should achieve a minimum CAR of 9% with effect from the year ending March 31st, 2000.

Risk Weighted Assets

Each class of assets of the Bank (including off-balance sheet assets) is assigned a risk weight. The value of risk weighted assets for each class of assets is obtained by multiplying the amount of each asset class by its risk weight. The total risk weighted assets are obtained by summing up the individual risk weighted assets.

An International Committee of Banking Regulations and Supervisory Practices of the BIS released an agreed framework on international convergence of CAR for commercial banks. The minimum CAR was set at 8%. The capital adequacy norms are to be enforced by the Banking Supervisory Authority of the respective country. RBI being the Central Bank of the country had issued guidelines and prescribed that Indian Banks should achieve CAR of 9%, by March 31st, 2000.



Position of Capital Adequacy from FY 1998- 99 to FY 2002-03

(Rs. in crore)

Computation of Capital Base	1999	2000	2001	2002	2003	30.9.2003
Paid up capital	330.36	330.37	330.37	330.37	330.37	330.37
Reserves & Surplus unallocated	55.59	123.72	159.06	260.75	296.04	412.93
Core Capital Gross	385.95	454.09	489.43	591.12	626.41	743.30
Less Losses of the prior years	0	0	0	0	0	0
Less Losses in the current year	0	0	0	0	0	0
A. Core (Tier I) Capital (Net) (CC)	385.95	454.09	489.43	591.12	626.41	743.30
Property Revaluation Reserve	17.70	16.82	16.0	15.21	14.47	14.11
<i>Undisclosed Reserve</i>	0	0	0	0	0	0
Investment Fluctuation Reserve	52.83	52.83	52.83	72.65	183.75	183.75
<i>Hybrid Capital</i>	0	0	0	0	0	0
Cumulative Perpetual Preference Shares	0	0	0	0	0	0
General Provisions	21.06	21.06	36.61	50.56	89.06	91.20
Sub-ordinate term Debt Tier II	0	170.00	220.00	320.00	420.00	420.00
Capital Gross Total	91.58	260.71	325.44	458.42	707.28	709.06
(Less) Head-room deductions	(0.00)	(0.00)	(0.00)	(44.00)	(108.00)	(192.00)
B. Supplementary (Tier II) Capital	91.58	260.71	325.44	414.42	599.28	517.06
C. Total Capital (A+B) (Capital Base)	477.53	714.80	814.87	1005.55	1225.69	1260.36
Risk Weighted Assets	4895.23	6132.50	7663.40	9013.71	10167.74	9997.34
Assets (funded)	Nil	Nil	Nil	Nil	Nil	Nil
Contingent Credit Exposure	Nil	Nil	Nil	Nil	Nil	Nil
Contracts/Derivatives Exposure	Nil	Nil	Nil	Nil	Nil	Nil
Total Risk Weighted Assets (TRWAs)	4895.23	6132.50	7663.40	9013.71	10167.74	9997.34
Ratios						
CRAR (%TC/TRWA)	9.76	11.66	10.64	11.16	12.05	12.61
Core CRAR (% CC/TRWA)	7.89	7.41	6.39	6.56	6.16	7.44
Tier II CRAR (Tier II Capital /TRWA)	1.87	4.25	4.25	4.60	5.89	5.17

Note: As can be seen from above the above table, the net increase in the reserves was to the extent of Rs. 368.88 crores from the internal generation of funds and the net increase in the sub-ordinate Tier II Bonds (net of discounting) was only Rs. 142 crores during the last four financial years. Thus, the Capital Adequacy Ratio is increasingly mainly due to the internal generation of funds and also due to issue of Tier II Bonds.

Requirement of enhancement of capital

The Bank expects to post a growth in business in the years to come. As a result, Risk weighted assets of the Bank are also expected to increase over the years. Increase in Tier I capital through retained earnings alone may not be sufficient to enable the Bank to maintain an adequate capital adequacy ratio. In view of the likely expansion of loan assets, the Bank proposes to augment its net worth in order to sustain a healthy CAR.

The Bank has not made any issue of Equity Shares / Debentures / Preference shares by way of Public / Rights Issue through an Offer Document. However, the Bank has raised Tier II Capital by way of Private Placement of unsecured, redeemable bonds in the nature of Promissory Notes to augment capital adequacy as under:



Sr.	Particulars	Issuance Date	Outstanding Balance (Rs. in crores)	Interest Rate (%)	Period	Date of Repayment	Repayment terms
1	Tier II Bond Sr. I	26.08.1999	170.00	12.60	80 Months	26.4.2006	Bullet
2	Tier II Bond Sr. II	14.02.2001	50.00	11.50	63 months	14.5.2006	Bullet
3	Tier II Bond Sr. III	29.01.2001	100.00	9.45	63 months	29.4.2007	Bullet
4	Tier II Bond Sr. IV	29.03.2003	100.00	7.00	63 months	29.6.2008	Bullet
	Total		420.00				

Merchant Banking

Bank undertakes Merchant Banking business. Under the said portfolio, the Bank acts as Bankers to Issues, undertakes Trusteeship and Underwriting and Brokerage business for which it is registered with the Securities and Exchange Board of India (SEBI). The Bank is also a Category I merchant banker whereby it carries the activities of providing the services of management of any issue, including preparation of prospectus, gathering of information relating to the issue, determining financing structure, tie-up of financiers, final allotment and refund of excess application money, investment advisor, manager, consultant or advisor to any issue including corporate advisory services, consultant or advisor. In spite of the recessionary trend and overall depressed market conditions the Bank has done well in Merchant Banking Activities.

The total business done during the last FY 2002-2003 is given hereunder:

Sr. No	Particulars	No. of Issues	Income (Rs in lakhs)
1	Commercial Paper (IPA)	34	6.73
2	Bankers to Issue	8	4.65
3	Brokerage	4	0.64
	Total	46	12.02

Foreign Exchange Business and Export Finance

The Bank through its network of 25 special authorised branches has been catering to foreign exchange business requirements of its customers. These branches are provided with modern infrastructure and communication facilities. The Bank has also established 2 exclusively specialised branches at Mumbai and Pune, which looks after Bank's overseas business. Further 10 branches have been provided with 2 way SWIFT (Society for World Wide Inter Bank Financial Telecommunication) connectivity.

The export and import turnover of the Bank has grown steadily over the years and has reached a level of Rs. 9,495.37 crores during the year ended March 31st, 2003. The bank has earned a non-interest income of Rs 33.41 crores from the Foreign Exchange Business during the year-ended March 31st, 2003

Non- Resident Deposits

Non- Resident Deposits of the Bank consist of, Foreign Currency Non-Resident (FCNR) Deposits, Non- Resident External (NRE) Accounts, Non-Resident Special Resident (NRSR) Accounts, and Non-Resident Ordinary (NRO) Accounts. The total Non-Resident Deposits of the Bank have reached a level of Rs. 369.86 crores as on September 30th, 2003.

Correspondent Relations

Bank has an established correspondent network comprising of over 200 banks across the globe. These correspondents represent the Bank at major business centres viz. New York, London, Singapore, Hong Kong, Melbourne, Tokyo etc. The correspondent mix of the Bank includes all leading international banks both in the developed as well as developing countries. The business relationship with these correspondent banks has enabled the bank to render effective service to its customers and to develop its foreign exchange business over a period spanning four decades.

Dealing Rooms

The Bank has integrated Rupee and Forex desks of the treasury and centralised inter-bank forex desk at the Mumbai office. The new dealing room at Mumbai with state of the art technology is well equipped for instantly netting foreign currency positions offloaded by different extended arms and offer bigger lots in the inter-bank forex markets. The integration has helped the Bank to exploit arbitrage opportunities in rupee and forex market.

Depository services

Realising the requirements of customers and in keeping pace with the changing times, the Bank is offering Depository Services and Demat facilities to the investors since September 1999. The Bank is a depository participant (DP) of Central Depository Services (India) Ltd.

Credit Card Business:

Bank undertakes Credit card business. Bank is issuing credit cards with Master Card franchisee as an affiliate member of



Bank of India since June 1991. So far, the Bank has issued over 25600 cards and over 46600 ATM cards. Bank of Maharashtra's "India Card", by characteristics, is a charge card though it is called a Credit Card. The bills on card usage are charged to the account fortnightly, which allows the cardholder the built-in credit period ranging between 10-20 days. The card also provides a free personal accident insurance cover of Rs.1 lakh in case of death due to road/water accident and in case death due to air mishap it is Rs.2 lakhs. The Bank has issued over 1,10,169 credit cards till September 30th, 2003 to farmers under the unique Mahabank Kisan Credit Card involving credit disbursement of Rs. 286.47 crores. The Bank has undertaken efforts to fine tune and make further value addition to the scheme.

RISK MANAGEMENT

General

The Bank recognises that management of risk is fundamental to the business of banking. The Bank's approach to risk management is proactive. The primary goal of risk management is to manage the risks inherent in the business, consciously and actively. The basic objective is to strike a balance between risk and returns and to achieve growth with an appropriate risk management policy.

In this regard Bank has set up a separate Risk Management Department at its Central Office headed by General Manager. The Bank has also formulated a Risk Management Policy on the basis of the guidelines issued by RBI. This policy is framed, recognizing the need to effectively identify, measure and manage various risks in view of their implications on the Bank's business growth and financial soundness.

Objectives of the Risk Management Policy

The objectives of the Risk Management Policy are:

1. To provide a framework for understanding and managing the risks faced by the Bank through a process of identification, monitoring and measuring the risk profile of the Bank
2. To establish risk management procedures and systems through setting up of prudential limits, adoption of risk models and assignment of risk limits.
3. To set standards for evaluation of the overall risks faced by the Bank and determining the level of risks that will yield an optimum return to the Bank.
4. To provide a support system for managing risks through integration, strengthening and upgradation of existing MIS and addressing training needs of the staff and officers of the Bank in the area of risk management.

Organisation for Risk Management

The Bank has formed Risk Management Committee, with the Directors and the Top Executives as its members, to design and implement risk management processes and their integration with the basic operations of the Bank. Risk Management Committee oversees the functions of Credit Risk Management, Market Risk Management and Operational Risk Management.

Credit Risk

The Bank's Lending Policy spells out detailed guidelines on procedures and responsibilities for credit appraisal and review. All credit exposures are taken up only in accordance with the Lending Policy of the Bank. The credit appraisal skills of the functionaries at various levels are constantly upgraded through specialized training programmes /seminars and conferences.

For constantly evaluating the quality of the Loan Assets and to bring about qualitative improvement in Credit Administration, a distinct Loan Review Policy has been put in place. All the borrowal accounts are monitored as per the detailed procedures set out. Credit Audit System and Credit Risk rating System are also in vogue. The Bank's policy also addresses risks on accounts of off balance sheet exposures.

Investment Risk

All investment exposures are taken up only in accordance with the Investment policy of the Bank. Credit rating from recognized rating agency forms the basis of investment decision. Proper control mechanisms are put in place for investments without credit rating. The Bank has set up product wise exposure limit for investment and trading and a stop loss limit for all mark-to-market risk taking activities (excluding investments held under Available for Sale category) with approval of the Board.

Foreign Exchange Risk

Foreign Exchange risk is the risk that the Bank may suffer losses on account of adverse exchange rate movements during the period in which it has an open position, either spot / forward or combination thereof in any individual foreign currency.

The Bank has in place a Forex Committee comprising of Top executives of the Bank. The Bank has adequate systems like prudential limits for open foreign exchange position, set limits on the aggregate gap position. Prudential limits daylight limits Overnight limit, Net open overnight position, Stop loss limit, Limit for undertaking swaps / investment / borrowing overseas, inter bank exposure limits are in place. The Bank also uses forward contracts and options to hedge its foreign exchange risk. The bank has a well-drawn risk management policy on the subject.



Risk Based Supervision by R.B.I

The Reserve Bank of India has announced its intention to switch over to Risk Based Supervision (RBS) of banks. Bank has already initiated necessary steps in this direction as also in the direction of implementing Risk Based Internal Audit.

INTERNAL CONTROL SYSTEM IN THE BANK

Inspection and Concurrent Audit

Inspection of branches is one of the important tools for the internal control of the Bank. The Bank has a comprehensive inspection and audit system covering the entire operations of branches as well as the administrative offices. The inspection and audit primarily aimed at finding out early symptoms of forthcoming adverse events, if any, and to facilitate prompt corrective measures to prevent the adverse events. The internal inspections ensure the verification of books and records as well as the observance of systems and procedures as prescribed by the management from time to time. The Audit Committee oversees the inspection and audit functions.

Branches / offices of the bank are subjected to regular inspection by internal inspecting Officials at periodical intervals of 12 to 18 months as per Jilani Committee recommendations. Accordingly, out of 1232 branches, 929 branches were subjected to regular inspection during the year 2002-03 and 484 branches during the first half of the current financial year. Inspection reports of branches / offices under the jurisdiction of Regional Offices are scrutinised and broad thrust areas are taken through the Regional Offices concerned for speedy rectification. A system of closure of inspection reports is in place.

Rating of Branches based on Inspection reports

Branches are rated on the basis of rating system formulated on the lines of 'CAMELS' rating. The rating system enables to bring into fore the strong and weak areas of each branch and focussed attention is accordingly given.

In addition to the regular inspection as mentioned above, surprise inspection is also undertaken in terms of Ghosh Committee recommendation and 38 branches were subjected to such inspection during 2002-03.

A new system of management audit of controlling offices is also being undertaken for evaluating performance of Regional Offices for effective control and supervision as well as business development. All the 30 Regional Offices are subjected to Management Audit during every alternate year.

Concurrent Audit

In compliance with RBI Guidelines, the Bank has established

the system of concurrent audit by appointing the firms of Chartered Accountants as concurrent auditors. The bank has brought 369 branches and 5 specialised departments under concurrent audit during the year 2002-03, which covers about 77.21% of deposits and 86.59% of outstanding credit as against the minimum stipulated level of 50% deposits and 50% of advances and other risk exposures as per RBI guidelines. The fields of coverage have been increased as per the suggestions of the audit committee of the Board. The reports of the concurrent audit are received on monthly basis and corrective measures are initiated immediately, wherever required.

EDP Audit /Computer Audit

EDP audit /Computer Audit was conducted at 374 computerized branches during the year 2002-03. Bank has received full rectification report from 341 branches. Systems audit of all the three branch mechanization software in operation has also been carried out.

Dealing Room Inspection

The Forex Dealing Rooms of the Bank is under concurrent audit by Chartered Accountant firm.

RBI Inspection Report

Reserve Bank of India conducts the Annual Financial Inspection of the Bank under Section 35 of the Banking Regulation Act, 1949. The RBI Inspection for the year ended March 31st, 2002 has been completed. The Bank has fully replied to RBI Inspection report. The reports are confidential and the Bank has informed RBI about actions already taken and other measures that are under implementation in respect of observations made by RBI. The Bank has replied to all other issues raised by the RBI in the aforesaid report as of March 31st, 2002. All these activities are overseen by the Audit Committee of the Board, which gives directions in respect of improvements from time to time.

Statutory Audit

The statutory audit of the Bank for the year ended March 31st, 2003 was carried out by M/s. S. R. Goyal & Co, M/s Sridhar & Santhanam, M/s N. Kumar Chhabra & Co., M/s JCR & Co., M/s Chaturvedi & Shah and M/s Jodh Joshi & Co., Statutory Auditors were appointed by RBI/GOI as per the extant regulations. At grass root level 1063 branches (out of 1232 branches) were subject to external audit.

Other Special Investigation

Whenever warranted, Special Investigation is also conducted at the Branch / Office concerned, to unearth any fraud / forgery etc. and plug the loophole.



Vigilance Mechanism

Risk Management is the key for survival in the highly competitive era. Preventive vigilance assumes importance to avoid any mishap that could cause damage to the image and profits of the organisation. It goes a long way to improve the false sense of complacency in day-to-day operational functioning. It is, therefore extremely important to exercise vigilance over adherence to the prescribed guidelines and norms to check losses from such risks. The Bank has taken appropriate measures in implementing the Mitra Committee recommendations on Best Practices code and areas of accountability at each desk of operations.

Vigilance committees are formed at select branches of high business volume to identify and prevent the areas of shortcomings.

Housekeeping

Housekeeping, which includes balancing of books, is constantly monitored and is generally satisfactory. Inter-branch reconciliation was given focussed attention during the year and the lead-time was maintained at less than three months. The Bank has established systems and procedures for balancing of books of accounts for which specific guidelines have been provided to the field functionaries for proper house keeping. As on March 31st, 2003, all the branches had balanced their books of accounts.

Inter-Branch Reconciliation (IBR)

Reconciliation of Inter branch transactions has been fully computerized and reconciliation is done on a monthly basis. New systems were introduced to make the systems more effective. The Bank is now able to prepare the inter branch reconciliation within sixty days. There are no long outstanding entries pending for reconciliation and all entries are within six months, which are within RBI Parameters.

As on March 31st, 2003, the Bank has complied with the RBI parameters of adjusting inter-bank transactions within six months from the date of their origin. The Bank has been continuously monitoring various parameters for effective

control on an ongoing basis for reducing the outstanding entries.

The Bank has centralised system of data processing and reconciliation of inter-branch transactions.

SUBSIDIARY COMPANY & SPONSORED GRAMIN BANKS (RRBs)

Subsidiary

The Maharashtra Executor and Trustee Company Private Ltd (METCO)

Name of the Company: The Maharashtra Executor and Trustee Company Private Ltd (METCO)

Date of Incorporation: April 10th, 1946

Date of Commencement of Business: April 10th, 1946

Nature of Activity & Brief History:

The Maharashtra Executor and Trustee Company Private Ltd., a wholly owned subsidiary of the Bank was incorporated on April 10, 1946. The Company has been extending trusteeship services to the Public for more than 57 Years. The Company undertakes management of public/private trusts and administration and execution of wills.

During the year 2002-2003, 51 new trusts were added making the total number of Public and Private Trusts to 1123 that are managed by the Company. With addition of 53 new Wills during the year, the total number of Wills in custody and execution has gone up to 747. The Company manages 73 Properties under the Power of Attorney, Public and Private Trusts. The Company also acts as the Trustees in respect of 162 Policies under Married Women Property Act. The Company has also been appointed by courts, as Guardian for Minors' Properties in 12 cases.

The Company has also started new services of Tax Consultancy. It has also undertaken work as Transfer Agent for all the 4 series of Tier II Bonds amounting to Rs. 420.00 crores issued by the Bank. It is also acting as Co-ordinator for servicing the VRS Bonds issued by the Bank.



The comparative Profit and Loss as well as the comparative Balance Sheet for last 5 years is given hereunder:

(Rs. in lakhs)

During the year ended March, 31 st	1999	2000	2001	2002	2003	30.9.2003
Income						
Management charges	12.19	14.91	24.11	28.11	30.53	15.89
Acceptance Charges	7.16	3.19	4.23	4.83	3.41	1.47
Service charges	1.21	1.89	2.61	1.19	1.68	0.18
Will Execution charges	—	4.13	5.50	9.90	8.03	1.40
Legal Fees	0.47	0.89	2.02	2.93	6.07	1.44
Others	16.66	18.63	16.38	16.95	18.11	13.15
Total Income	37.69	43.64	54.85	63.91	67.83	33.53
Expenditure						
Payment/provision for employees	24.52	25.90	30.32	32.59	35.53	16.83
Postage, telephone and telegram	0.36	0.45	0.58	0.60	0.89	0.45
Printing & Stationery	0.26	0.49	0.35	0.35	0.61	0.18
Advertisement	0.01	0.33	0.11	0.54	0.34	—
Service charges	9.11	11.47	17.64	19.82	20.38	—
Miscellaneous Expenses	0.70	2.53	2.04	4.53	2.34	1.18
Depreciation	0.43	1.19	1.21	0.99	2.32	—
Total Expenditure	35.39	42.36	52.25	59.42	62.41	18.64
Profit before tax	2.30	1.28	2.60	4.49	5.42	14.89
Taxes	0.43	0.25	0.21	0.91	1.38	—
Profit After Tax transferred to reserve	1.87	1.03	2.39	3.58	4.04	—
As on March, 31st	1999	2000	2001	2002	2003	30.9.03
Liabilities						
Capital	20.00	20.00	20.00	20.00	20.00	20.00
General Reserves	10.65	11.68	14.06	17.65	21.69	36.58
Current Liabilities	119.46	150.14	191.84	225.12	211.44	231.38
Provisions	1.08	0.42	0.63	1.25	2.63	2.77
Total Liabilities	151.19	182.24	226.53	264.02	255.76	290.73
Assets						
Fixed Assets	1.17	5.65	4.82	4.79	5.58	5.83
Investments	26.71	29.57	28.32	31.33	34.33	33.82
Cash & Bank Balances	118.87	141.84	186.70	218.36	205.14	239.98
Interest accrued	1.26	1.53	1.01	1.74	1.81	2.96
Loans & Advances	1.68	2.25	4.43	6.37	6.09	5.19
Other Current Assets	1.50	1.40	1.25	1.43	2.81	2.95
Total Assets	151.19	182.24	226.53	264.02	255.76	290.73



There are two Debenture Issues, where METCO is acting as Debenture Trustee, where the Companies have made default, the details of which are as below:

Sr.No.	Name Of The Company	Particulars Of Issue & amount	Nature Of Security	Name Of Debn. Holders	Steps taken to protect the interest of Debenture
1.	Arlabs Ltd.	14% NCDs of Rs. 3.10 crores privately placed in favour of four Institutions	Second charge by way of mortgage of land & building, plant & Machinery & Hypothecation of Stock Pari-passu with consortium Bankers for working capital. Security is in force.	A] Bank Of India, B] PNB Mutual Fund C] Indfund Management Ltd. D] SBI Mutual Fund	A] The Company has been ordered to be wound-up by BIFR by its Order dt. 25.08.2003. B] The matter has been entrusted for filing suit to Advocate M/s Rathina Maravman, Mumbai and suit will be filed shortly for dues of Debenture Holders, C] As on 31.12.2003, the total dues are Rs. 12.76 crores.
2.	Marathwada Alloy & Steel Co. Ltd.	15% Secured NCDs of 1.75 crores privately placed with Unit Trust Of India	Pari-passu charge with Equitable Mortgage of Land & Building and other fixed assets with Bank Of Maharashtra	Unit Trust of India	A] Suit is filed in Mumbai High Court under No. 4727/1993 for recovery of Rs. 5.36 crores Plus future interest. B] DRT No. 1149/1999 suit is pending in court.

Adequate security was taken as per the terms of Issue and necessary action has been taken against the defaulting Company to protect the interest of Debenture Holders.

The Maharashtra Executor and Trustee Company Private Ltd are not listed on any stock exchanges.

Magic – eMoney Ltd:

Magic eMoney Ltd. (MeM) was incorporated on November 23, 2000 originally in the name of Magic e Money.Com Ltd and received the certificate for commencement of business on January 3, 2001. The name of the Company was subsequently changed from Magic e-Money.com Ltd to Magic eMoney Ltd. vide certificate received from the Registrar of Companies on May 22, 2001. The Company is a Joint Venture of BOM (without having any management control), NextStep Infotech P. Ltd. (NSIPL), and Magic Software Enterprises (MSE) Israel. Dena Bank joined later as an equity partner.

The equity base of the company is Rs.100 lacs and the participation is as under:

- 45% - Nextstep Infotech Pvt. Ltd.
- 05% - Magic Software Enterprises Israel Ltd.
- 30% - Bank of Maharashtra.
- 15% - Dena Bank
- 05% - CEO and employees of JV Company.

The Company caters to the IT related requirements of banking & financial institutions in India and abroad. They provide banking solutions for delivery channels like connectivity of branches, net- Banking, e – banking, Smart Card based applications, ATMs, Point of Sale, Customer Relationship Management (CRM), & Net Connectivity etc.

The Company provides the communication network backbone for development of solutions for financial sector such as Risk Management, Asset Management for global and Indian banks and financial institutions. The Company also has plans to set up portals for e-commerce applications and making the portals available to smaller banks at cost.



MeM is run by a professional management that has adequate expertise with a dedicated team of software, and banking professionals.

The Company's software solutions are successfully installed at Bank of Maharashtra, Dena Bank, Mumbai District Central Co-operative Bank Ltd. and The Maharashtra Executor and Trustee Company Private. Ltd. The company has set up a full-fledged support division, which is currently extending support to over 240 installations.

Apart from the software solutions, MeM also provides one stop solution for ATM site preparation, Security, Housekeeping and Cash replenishment services through alliance partners.

MeM has a well-documented Quality Management System, which has been designed to conform to ISO 9001:2000 standards.

The financials of the first two years of operation is given hereunder:

	(Rs. In Lakhs)	
Year ended on 31 st March	31.3.2002	31.3.2003
Sale of software	207.11	56.30
Sales – Others	41.22	35.75
Annual Maintenance charges	—	45.23
Total Income	248.33	137.28
Cost of sales	125.30	34.6
Employees costs	40.84	35.85
Other Expenses	64.60	60.65
Total Expenditure	230.74	131.12
Profit before Tax	17.59	6.16
Dividend paid	4.76	Nil
Share Capital	95.21	95.21
Reserves	11.00	7.77
EPS (Rs. per share)	1.71	0.60

Regional Rural Banks sponsored by Bank of Maharashtra

In pursuance of the policies of the Government of India to provide banking in rural areas, the Bank has sponsored 3 Regional Rural Banks with a network of 317 branches spread over 9 districts in the State of Maharashtra. The capital of each of the RRB is held to the extent of 50% by the Central Government, 15% by the State Government and 35% by the Bank

The names of the RRBs, the dates of their establishment and network of branches are given below.

Name of the RRB	Date of Establishment	No. of Branches
Marathwada Gramin Bank (MGB)	26.08.1976	240
Aurangabad Jalna Gramin Bank (AJGB)	07.12.1982	56
Thane Gramin Bank (TGB)	30.03.1986	21

The consolidated financial position of the 3 RRBs as on March 31st, 2003 is as under:



1. Marathwada Gramin Bank (MGB):

Marathwada Gramin Bank was incorporated on 26.08.1976 and is responsible for development of banking activity in 6 districts. The Capital of Bank was Rs. 19.80 crores and total business of Rs. 660.45 crores as on September 30th, 2003. The following table summarises financial performance of the Bank.

(Rs. in crore)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	30.9.2003
Total Income	52.90	54.59	48.14	28.37
Total Expenses	52.39	54.54	59.23	27.01
PAT	0.51	0.05	(-) 11.09	1.36
Share Capital	1.00	1.00	1.00	1.00
Share Capital Deposit	18.59	18.80	18.80	18.80
Reserves & Surplus	—	—	—	—
Acc. Losses	53.47	53.42	64.51	63.15
Deposits	431.00	448.24	508.57	470.57
Advances	160.51	160.48	175.65	189.88

2. Aurangabad-Jalna Gramin Bank (AJGB)

Aurangabad - Jalna Gramin Bank was incorporated on 07.12.1982 and is responsible for development of banking activity in two districts. The capital of the Bank was Rs. 7.63 crores and total business of Rs. 325.71 crores as on September 30th, 2003. The following table summarises financial performance of the Bank.

(Rs. in crore)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	30.09.2003
Total Income	21.48	27.58	26.37	16.91
Total Expenses	16.72	22.56	29.57	15.39
PAT	4.76	5.02	(-) 3.19	1.52
Share Capital	1.00	1.00	1.00	1.00
Share Capital Deposit	6.63	6.63	6.63	6.63
Reserves & Surplus	4.78	9.62	6.38	6.38
Deposits	152.47	181.82	219.43	185.38
Advances	106.17	140.20	137.59	140.33

The Bank incurred a net loss of Rs.3.19 crores in the financial year ended March 31st, 2003. The Bank however achieved operating profit of Rs. 1.52 crores during the first half of the current year.

3. Thane Gramin Bank

Thane Gramin Bank was incorporated on 30.03.1986 and is responsible for development of banking activity in Thane district. The capital of the Bank was Rs. 2.45 crores and total business of Rs. 89.83 crores as on September 30th, 2003. The following table summarises financial performance of the Bank.

(Rs. in crores)

Particulars	March 31, 2001	March 31, 2002	March 31, 2003	30.09.2003
Total Income	7.58	8.01	8.06	4.39
Total Expenses	5.53	6.38	6.76	3.18
PAT	2.05	1.63	1.30	1.21
Share Capital	1.00	1.00	1.00	1.00
Share Capital Deposit	1.45	1.45	1.45	1.45
Reserves & Surplus	7.00	8.70	9.72	10.94
Deposits	58.12	66.95	74.74	79.04
Advances	5.79	6.89	9.71	10.79



Marathwada Gramin Bank has accumulated losses of Rs. 63.15 crores as on September 30th, 2003. The contingent liabilities of Marathwada Gramin Bank as on March 31st, 2003 amount to Rs. 0.05 crores. There are no contingent liabilities in respect of Aurangabad-Jalna Gramin Bank and Thane Gramin Bank as on March 31st, 2003.

The three RRBs do not have any disputes/ litigation towards tax liabilities. However Marathwada Gramin Bank has disputes/ litigations initiated by staff and staff associations pertaining to staff related matters, the details of which are furnished hereunder.

S. No.	Regional Rural Bank	No. of cases
1	Marathwada Gramin Bank	25

Further there is one outstanding case filed with consumer dispute redressal Commission filed against Marathwada Gramin Bank and Insurance Company. Bank has filed appeal against the decision of District Consumer Forum, Nanded which is scheduled for next hearing on 19.01.2004.

Transactions between Bank of Maharashtra and Subsidiary, Joint Ventures and RRBs are as given below:

Transactions between the Bank and METCO during the last 3 years

Year ended March 31 st	(Rs. in lakhs)		
	31.3.2001	31.3.2002	31.3.2003
Reimbursement of salary of officers of BOM	13.47	13.85	14.41
Fees received from BOM for work as Transfer Agent of Bank Tier II Bonds	—	0.30	0.65
Fees received from the bank for legal consultation for Bank Premises	—	—	1.31
Fees received from the Bank for the work of VRS Bond Management	—	0.19	0.32

Transactions between the Bank and Magic –eMoney Ltd.

Particulars	During the year 2001-2002	During the year 2002-2003
Billing by Magic e Money Ltd for various Banking software/s	Rs. 150.36 lakhs	Rs. 113.89 lacs
CEO's Salary reimbursed to Bank of Maharashtra	Rs. 2.81 lakhs	Rs. 3.10 lakhs
Receipt of dividends	Rs.1.50 lakhs	Nil

Transactions between the Bank and RRBs:

1. Aurangabad Jalna Gramin Bank:

Particulars	(Rs. in Lakhs)		
	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsored bank	4640	5025	4875
Interest earned on deposits kept with Sponsored Bank.	299	431	504
Balance in Current Account with sponsored Bank	203	186	175
Remuneration paid to employees on deputation to RRBs by sponsor bank	07	07	06
Share Capital	35	35	35
Share capital deposit	232	232	232
Investment in Tier II bonds of sponsor Bank	—	—	200
Interest earned on Tier II bonds	—	—	0.07
Refinance outstanding from Sponsor bank	715	825	—
Interest paid on refinance	78	49	67



2. Thane Gramin Bank:

(Rs. in lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank			
a. In current account	58.38	28.19	33.55
b. Other deposits	1933.00	2778.00	2014.00
Interest earned on deposits			
a. Current Accounts	2.23	2.30	Nil
b. On Other Deposits	217.43	242.84	275.39
Remuneration paid to employees on deputation from sponsor Bank	6.39	6.44	7.78
Deposits from sponsor Bank as share Capital, share capital deposit	85.67	85.67	85.67
Investment in Tier II Bonds of sponsor bank	Nil	Nil	50.00
Interest earned on Tier II bonds	Nil	Nil	0.04

3. Marathwada Gramin Bank:

(Rs in lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank			
a. In current account	393.24	508.33	351.39
b. Other deposits	14475.00	14950.00	6850.00
Interest earned on deposits	1471.03	1638.73	1213.66
Remuneration paid to employees on deputation from sponsor Bank	7.87	6.49	8.65
Deposits from sponsor Bank as share Capital including share capital deposit	657.86	657.86	657.86
Investment in Tier II Bonds of sponsor Bank	—	—	200.00
Interest earned on Tier II Bonds	—	—	—
Refinance outstanding from sponsor Bank	1440.79	198.62	—
Interest paid on Refinance during the year	114.81	121.29	2.52

OVERVIEW OF ORGANISATION STRUCTURE, MANAGEMENT AND SUPPORT FUNCTIONS

Organisation Structure & Management

Hierarchy and Responsibilities

The Bank functions under the supervision of its Board of Directors consisting of the Chairman & Managing Director, Executive Director, and other directors as nominated by GoI. The Bank has constituted various committees like Management Committee, Audit Committee, Asset Liability Management Committee etc. in line with the RBI guidelines. There are also other Committees such as Director's Promotion Committee, Risk Management Committee, IT committee etc.

The Bank has a three tier organizational structure with the Head Office, 30 Regional Offices which control the branches. To meet the challenges of competition, the Bank has brought about suitable modifications in the organization structure. Accordingly three regions, namely Mumbai, Delhi and Bangalore, which are the potential business centres of the Bank, are headed by a Senior Executive in the rank of General Manager.

Management of the Bank

The overall supervision and control of the Bank's functions rests with the Board of Directors which consists of the Chairman and Managing Director and Executive Director, both appointed by the GoI, other directors representing the Government of India, Reserve Bank of India, Employees and Officers of the Bank. The day-to-day affairs of the Bank are managed by the Chairman and Managing Director, the Executive Director, the Bank's General Managers, Deputy General Managers who are assisted by a team of competent professionals.



Board of Directors

Sr. No.	Name, Age and Experience	Date of Appointment	Date of Expiry of current term	Residential Address	Other Directorships
1	Shri S. C. Basu Chairman & Managing Director Age: 57 Years Experience: 34 years in Banking	On 16.4.1999 as E.D of the Bank & on 25.9.2000 as CMD of the Bank	24.09.2005	443/6, Ganeshkhind 'Saptashrunghi' Gokhale cross Road, Pune – 411 007	Exim Bank
2	Shri A.V. Dugade Executive Director Age: 55 Years Experience: 35 years in Banking	25.07.2003	31.3.2008	Mahabank House' 39/43,Prabhat Road, Lane No.9, Pune – 411 004	None
3	Dr. Tarun Das Director Age: 56 Years Director representing GOI Economic Advisor, Ministry of Finance Experience: 31 years	20.3.2002	Till further orders	10/14,East Patel Nagar, New Delhi – 110 008	None
4	Smt. P. Kumar (Director representing RBI) Chief General Manager, RBI Age: 50 Years Experience: 23 years.	08.05.2003	Till further orders	Principal's Bungalow, RBI College of Agri. Banking Campus, Ganeshkhind Road, Pune- 411 016.	None
5	Shri Shambhuraj Shivajirao Desai Part Time Non – Official Director. Age: 37 Years Experience: Agriculturist	05.11.2001	04.11.2004	'Koyana Daulat' 172/1, Raviwar Peth, Powai Naka, Shivaji Circle, Satara – 415 001.	None
6	Shri Anand Kamalnayan Pandit Part Time Non – Official Director Age: 40 Years	05.11.2001	04.11.2004	Lotus Tower, 1, Jaihind Society, N. S. Road, 12-A, Juhu Scheme, Mumbai – 400 049.	Director Shri Adhikari Brothers Television Network Ltd. SAB News Westwind Realtors (P) Ltd. Managing Director, Shri Lotus Real Estate Creators (India) Pvt. Ltd. Chairman Lotus Films Ltd.
7	Shri Sunil K. Vashisht Part Time Non – Official Director Age: 47 Years Experience: 20years as Chartered Accountant	12.11.2001	11.11.2004	RB-51, RBI Officers Flats, Hauz Khas, New Delhi – 110 016.	None



Sr. No.	Name, Age and Experience	Date of Appointment	Date of Expiry of current term	Residential Address	Other Directorships
8	Dr. B. M Bhandary Part Time Non – Official Director Age: 64 Years Experience as medical doctor	26.11.2001	25.11.2004	Saraswathi Nilaya, 2 nd Cross Road, Gandhi Nagar Mangalore – 575 003	CMD, Diganta Mudran P Ltd.
9	Prof. GD Sharma Part Time Non – Official Director Age: 69 Years Experience: 40 years of teaching management courses, commerce etc.	26.11.2001	25.11.2004	A/108, Janta Colony, Jaipur – 302 004.	None
10	Shri Gyan Prakash Part Time Non – Official Director Age: 46 Years Experience : 16 years in journalism.	05.12.2001	04.12.2004	'Pratibha Lok' Anandpuri, W. Boring Canal Rd, Patna – 800 001.	None
11	Shri Kawaljit Singh Oberoi Part Time Non – Official Director Age: 40 Years Experience: Over 17 years as Chartered Accountant in Corporate Finance, Audits and Taxation.	10.5.2002	09.05.2005	E-119, Greater Kailash –I, New Delhi – 110 048.	None
12	Shri P. N. Deshpande Officer Director Age: 44 Years Experience of over 25 years in Banking	31.10.2002	30.10.2005	Flat No.7, B-1, Saudamini Housing Society, 8, Bhusari Colony, Paud Road, Pune – 411 038.	None

There is no termination benefit accruing to the Directors, upon termination of their Directorship from the Bank.

The Bank has taken initiatives in furthering corporate governance practices leading to greater transparency and better coordination between the Board and Management and the members of the organisation. The Bank has constituted various Committees of the Directors in keeping with the existing guidelines of the Govt. of India and RBI as follows:

Management Committee of the Board of Directors

The Committee exercises delegated authority for sanction of credit proposals, loan compromise / write-off proposals, major capital and revenue expenses and reviews exercise of delegated authority by the Chairman & Managing Director and the Executive Director. The Committee also reviews the performance of key areas like investments portfolio, non-performing assets and other important management decisions referred to the Committee by the Board. The Committee comprises of the following members.



Sr. No	Name	Designation
1	Shri S. C. Basu	Chairman & Managing Director
2	Shri. A.V. Dugade	Executive Director
3	Dr. Tarun Das	Director representing GOI
4	Mrs. P. Kumar	Director representing RBI
5	Shri K. S. Oberoi	Director
6	Shri S. S. Desai	Director
7	Shri A. K. Pandit	Director

Audit Committee of the Board of Directors

Audit Committee of the Board of Bank was reconstituted w.e.f. November 29th, 2003. The Audit Committee of Board provides direction as also oversee the operations of total audit/ Inspection function in the Bank. The Audit Committee of Board comprises of the following members:

Sr. No	Name	Designation
1	Shri Kawaljit Singh Oberoi	Director, Chairman of Committee
2	Shri. A.V. Dugade	Executive Director
3	Dr. Tarun Das	Director representing GOI
4	Smt. P. Kumar	Director representing RBI
5	Shri A. K. Pandit	Director

The terms of reference of the Committee is as per the circulars issued by RBI from time-to-time.

Central Office Committee:

Central Office Committee (COC) of the Bank consists of Chairman & Managing Director, Executive Director and all other executives of the Bank in Scale VI and Scale VII who are posted in C.O. The Committee meets as and when needed. The Committee discusses and decides upon issues related to day – to - day banking viz. review of existing products / services/ procedures, introduction of new product, which have important and immediate bearing on Bank's performance. The COC also reviews the performance of the regions with the help of Guardian Executives of the Regions concerned. All the important decisions of COC are immediately communicated to the concerned implementing officials for timely implementation. COC monitors the implementation by calling for compliance reports.

Management of the Bank

The day to day affairs of the Bank is managed by the Chairman & Managing Director, Executive Director and the General Managers who are assisted by a team of competent professionals. The management structure comprises of the Head Office, Regional offices and the branches spread across major geographical areas. All the Regional offices are headed by senior officials of the Bank.



Key Managerial Personnel

Name & Qualification	Date of Joining the Bank	Experience in the Industry	Position Held	Functional Responsibility
Shri S. C. Basu M. Com., LL.B, ACA	April 16 th , 1999	34 years	Chairman & Managing Director	Chairman of the Board & Chief Executive Officer
Shri A. V. Dugade M. Com, CAIIB- I, Master diploma in computer applications	July 1 st , 1968	35 years	Executive Director	Overall control of the Bank & Chairman of Subsidiary
Shri K. Parthasarathy M.A.	February 1 st , 1971	32 years	General Manager	Planning, Development & Publicity
Shri M. P. Kale M. Com, CAIIB-I	September 21 st , 1967	36 Years	General Manager	Credit, Merchant Banking, International Banking, Recovery & Rehabilitation
Shri A. K. Bhoomkar B.A.	August 16 th , 1968	35 years	General Manager	Personnel, Security, Corporate Services
Shri S. R. Joshi M. Com, CAIIB-I	August 2 nd , 1968	35 years	General Manager	Accounts, Investments, Funds Management
Shri R. D. Velankar M. Com, CAIIB, GCD, DBM	February 14 th , 1967	36 years	General Manager	Credit Monitoring & Risk Management
Shri V. V. Karandikar B. Com, CAIIB	December 16 th , 1968	35 years	General Manager	Mumbai Region
Shri A. K. Banerjee M.A., CAIIB	November 6 th , 1975	28 years	General Manager	Inspection & Information Technology
Shri J. K. Sheth B.A, LL.M,	February 5 th , 1990	33 years	General Manager	On Deputation to State Bank of Travancore
Shri B. K. Piparaiya B.E., MBA, CAIIB	October 1 st , 1975	28 years	General Manager	Delhi Region
Shri M. A. Sardesai B. A.	July 1 st , 1966	37 years	General Manager	Treasury & International Banking Division, Mumbai
Smt. S. A. Panse M.Sc., CAIIB, DBM, MBA, Master in Management Science	September 1 st , 1976	27 years	General Manager	Bangalore Region
Shri. Sudhakar Mohanty M.Sc.	03.11.2003	33 years	General Manager & CVO	Vigilance

The Key Managerial Personnel are on the roll of the Bank as permanent employees, except Shri S. C. Basu, Chairman & Managing Director and Shri A.V. Dugade, Executive Director of the Bank who have been appointed by the Government of India.

The Key Managerial Personnel are entitled to the compensation & benefits as applicable to all the permanent employees of the Bank. All the key managerial personnel are of the General Manager and higher grade. The compensation for General Managers falls in the scale of Rs. 19340 –420/2 – 520/1 – 600/1 – 21300/-. The other benefit includes the festival advance, housing and consumer loans, reimbursement of certain expenses etc. as per Officer Service Regulations.



Changes in the Key Managerial Personnel (During last three years i.e. from April 1st, 2000)

Name	Position Held	Reason for Change
Shri H. P. Vidhwans	Chief Vigilance Officer	Expiry of tenure on 24.4.2000
Late Shri M. M. Vaish	Chairman & Managing Director	Passed away on 29.5.2000
Shri V. B. Lal Seksena	DGM, Bank of Baroda	Appointed as Chief Vigilance Officer of the Bank on 11.9.2000
Shri S. C. Basu	Executive Director	Appointed as Chairman & Managing Director of the Bank on 25.9.2000
Shri A. K. S. Rao	General Manager, Canara Bank	Appointed as Executive Director of the Bank on 12.12.2000
Shri P. K. Nene	General Manager	Reached superannuation on 30.4.2001
Shri A. Y. Kolhatkar	General Manager	Reached superannuation on 31.5.2002
Shri S. R. Joshi	Dy. General Manager	Promoted as GM w.e.f 1.6.2002
Shri R. D. Velankar	Dy. General Manager	Promoted as GM w.e.f 1.6.2002
Shri V. V. Karandikar	Dy. General Manager	Promoted as GM w.e.f 1.6.2002
Shri A. K. Banerjee	Dy. General Manager	Promoted as GM w.e.f 1.6.2002
Shri R. M. Nayak	General Manager	Resigned from the Bank on 8.1.2003
Shri A. V. Dugade	General Manager	Appointed as Executive Director on 25.7.2003
Shri V. B. Lal Seksena	General Manger & CVO	Term completed on 06.09.2003
Shri J. K. Sheth	Dy. General Manager	Promoted as GM on 15.10.2003
Shri B. Piparaiya	Dy. General Manager	Promoted as GM on 15.10.2003
Shri M. A. Sardesai	Dy. General Manager	Promoted as GM on 15.10.2003
Smt. S. A. Panse	Dy. General Manager	Promoted as GM on 15.10.2003
Mr. Sudhakar Mohanty	General Manager, RBI	Joined as CVO on 03.11.2003. (On deputation from RBI)

Human Resources

The total manpower of the Bank as on March 31st, 2003 was 14047 comprising 3768 officers, 7161 clerks and 3118 substaff. The manpower position of the Bank for the last five years is as under:

As on	Officer	Clerical Staff	Sub-Staff	Total no. of Employees
March 31 st , 1999	4045	8674	3637	16356
March 31 st , 2000	3957	8544	3597	16098
March 31 st , 2001	3361	7644	3233	14238
March 31 st , 2002	3768	7186	3191	14145
March 31 st , 2003	3768	7161	3118	14047

The business per employee of the Bank has been on the increasing trend. The position as on March 31st, during the last five years is depicted in the table below:

Year	(Rs. in lakhs)				
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Business per employee	90.62	114.84	164.77	191.44	222.00



Human Resources Development Management – Training & Industrial Relations

In the present day context, new strategies have been laid for reorientation and upgradation of skill of the staff members working in different branches/offices. Emphasis has been laid to develop skill and competence in various specialised functional areas, such as, Information Technology, Foreign Exchange operations, Treasury and Investment Management, Asset Liability management, Risk Management, Appraisal and Monitoring of Commercial and Industrial Credit, Retail banking with special emphasis on mid-market segment, Marketing of Bank's products, Reorientation of Customer Service and Managerial effectiveness.

To cater to the needs of changed circumstances, the Bank's Staff College, Pune and 4 Regional Training Centres at Mumbai, Pune, Aurangabad and Nagpur conduct different training programmes in the thrust areas. Programmes are held in both in-house and on locational basis.

Apart from in-house training, the Bank has been nominating the Executives and officers for training programmes organised by reputed Institutes/Colleges such as Bankers Training College (BTC), Mumbai, National Institute of Bank Management (NIBM), Pune, Institute for Development and Research in Banking technology (IDRBT), Hyderabad, College

of Agricultural Banking (CAB), Pune and Banking Institute for Rural Development (BIRD) Lucknow to upgrade their knowledge in order to meet the emerging challenges in the Banking industry.

Transfers, placements, job rotations of different category employees are effected on regular basis as per extant policy guidelines. To build up a regiment of segment specialised officers, the Bank has identified officers with requisite qualification and experience to work in the area of Credit, Treasury functions, Foreign Exchange, Information Technology and Human Resource Development. Such officers have been given extensive training in the Training College as well as on the job training. With this move the Bank's competitive ability has improved to a considerable extent. After abolition of Banking Service Recruitment Board, the Bank has framed its Recruitment Policy.

Voluntary Retirement Scheme

The Bank had introduced a voluntary retirement scheme during the year 2000-2001 titled "Bank of Maharashtra Voluntary Retirement Scheme 2000". The VRS scheme received 2,643 applications out of which 1,876 applications were accepted. The total outflow on account of the VRS scheme introduced had been Rs. 251.00 crores. The post VRS scenario has not materially affected the Bank's operations and performance.

Manpower deployment and productivity

There is constant increase in the Employee productivity of the Bank over the years. Business per full-time employee and gross profit per full-time employee have improved from Rs. 78.91 lakhs to Rs. 222.00 lakhs and from Rs. 0.34 lakhs to Rs. 1.58 lakhs respectively in the last six years as shown below:

As on	Officers	Clerks	Substaff	Total	Business per employee (Rs. in lakhs)	Profit per employee (Rs in lakhs)
31.3.1998	3876	9111	3618	16596	78.91	0.34
31.3.1999	4045	8674	3637	16356	90.62	0.32
31.3.2000	3957	8544	3597	16098	114.84	0.56
31.3.2001 **	3361	7644	3233	14238	164.77	0.30
31.3.2002	3768	7186	3191	14145	191.44	1.02
31.3.2003	3768	7161	3118	14047	222.00	1.58

** After accepting 1876 applications under the Voluntary Retirement Scheme introduced during the year 2000-2001.

Information Technology

Information Technology is one of the effective tools for increasing efficiency and profitability. It provides a competitive edge through value addition besides improving speed and accuracy in the present competitive scenario.

Branch Mechanisation

The Bank has computerized 588 branches (including 15 Extension Counters) as on March 31st, 2003 and 92.24% of total business is covered under computerization, including the share of 9.03% captured through back office computerization taken up under Rural branch mechanisation project.



Rural Branch Mechanisation

The Bank has implemented a novel scheme of adopting a cluster approach for back office computerization of rural and semi – urban branches which has helped the bank to capture 92.24% of business on computers. For this purpose, the Bank has identified 94 nodal cells, which cater to 626 branches in rural area. The entire back office functions of these branches are being taken on computers by the nodal centres on daily basis.

Structured Financial Messaging System (SFMS):

The Bank is one of the three pilot banks selected for launching of Structured Financial Messaging System (SFMS) in the banking industry. The SFMS will provide messaging solution for inter-bank and intra-bank transactions across the country on lines of SWIFT. The Bank would implement SFMS in a phased manner in all 504 branches covered under Wide Area Network.

Real Time Gross Settlement (RTGS):

RTGS, the ultimate in the Payment and Settlement Architecture in any country, primarily for on-line real time inter-bank payment and settlement of large value funds, is in the process of implementation. With the initiatives already undertaken for full-fledged Wide Area Network, it is envisaged that the Bank would be in a position to implement RTGS as per schedule fixed by RBI.

Automated Teller Machines (ATM)

The Bank installed 45 Automated Teller Machines (ATM) spread across 15 Cities. The Bank has made Electronic Fund Transfer (EFT) facility available in 15 Metro Centres. While Tele-Banking facility is extended at 82 branches, Query Terminals have been installed at 88 branches. Any Branch Banking facility covering 15 branches in Pune City is also implemented.

Connectivity

The Bank has installed VSAT (Very Small Aperture Terminal) network at 30 locations, which has enabled immediate connectivity and transfer of information among these centres. During the month of September, 2003 the Bank has been ranked 9th in utilization of VSAT under INFINET. Full fledged Intranet facility has been provided at Central Office which facilitates sharing of data / information among the users.

Setting up of Data Centre

The premises at Pune have been purchased for setting up of Data Centre. The tenders are being issued very shortly.

Core Banking Solution

The Bank would shortly initiate the steps for identifying the

CBS software and it has already planned the road map in implementing the CBS in the Bank. After the pilot run in 10 branches, the bank would implement the CBS in phased manner to all the branches covered under the WAN and it is expected to be completed by September, 2006.

Information System Security Policy

Bank has drafted a detailed policy on Information System Security in respect of the Information Technology related systems and assets of the bank and is approaching the Board for its approval shortly. The policy document embodies the spirit of all Information Security measures applicable to different areas.

Training institute

For meeting the training requirements of employees, a fully equipped Information Technology Training Institute, first of its kind in the industry, is established by the Bank at Pune. Regular training is imparted to employees in updating their skills in computer technology to meet the growing technological needs of the industry.

SIGNIFICANT REGULATORY MATTERS RELATED TO THE BANK

Janakiraman Committee Report and Joint Parliamentary Committee Report

The bank was not involved in any irregularities in security transactions. Accordingly no reference was made in the Janakiraman Committee and JPC in respect of the Bank.

Verma Committee Recommendations

The Verma Committee was set up to identify weak and potentially weak banks in the country and for making recommendations for strengthening these banks and reducing systemic risk.

The Verma Committee has suggested seven parameters for assessing a bank's strength/weakness covering three major areas namely

1. Solvency
2. Earning Capacity
3. Profitability

These parameters are as follows:

Solvency	Capital Adequacy Ratio, Coverage Ratio
Earning Capacity	Return on Assets, Net Interest Margin
Profitability Ratio	Ratio of operating profit to average working funds, Ratio of cost to income, Ratio of staff cost to net interest income (NII) + all other income.



The above ratios are well known parameters on which banks' performance and sustainability are judged. A study of these ratios in respect of a bank, historically or in comparison with its peers, gives a view of its growing strength or weakness over a period as also its ability to compete against others in the market. The working group observed that based on the above analysis, public sector banks could be classified in terms of their strengths or weaknesses under three broad categories.

1. Banks where all the parameters are met.
2. Banks where some of the seven parameters are not met.
3. Banks where none of the seven parameters are met.

Our Bank has been placed amongst nine banks under second category for compliance with Capital Adequacy Ratio (CAR) but did not comply with three or four of the remaining efficiency parameters for the financial year 1998 and 1999. The Working Group commented that the Banks classified in this category may not be deemed to be in distress, but their efficiency levels called attention to their potential weakness, which could emerge over time. Early solutions would help these banks to shake off their weakness.

STOCK MARKET DATA

This being the Bank's maiden Public offer, its shares are not listed on any Stock Exchange.

VI. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Financial Highlights of the Bank for the last four financial years as per the adjusted balance sheets of the Bank are as given in the following table.

Year ended March 31	(Rs. in crore)					
	2000	2001	2002	2003	% Change from 2001 to 2002	% Change from 2002 to 2003
Total Income	1651.83	1928.27	2305.58	2442.15	19.57	5.92
Interest Income	1467.27	1705.88	1998.08	2081.68	17.13	4.18
Other Income	184.56	222.39	307.50	360.47	38.27	17.23
Expenditure	1561.69	1883.08	2160.17	2220.13	14.71	2.78
Interest Expenditure	1384.99	1688.29	1890.54	1921.57	11.98	1.64
Operating Expenditure	384.84	540.72	479.24	516.20	(11.37)	7.71
Profit before provisions & contingencies	266.84	239.98	415.04	520.58	72.95	25.43
Provisions & Contingencies	150.40	193.51	258.77	298.56	33.72	15.38
Net Profit	116.44	46.47	156.27	222.02	236.28	42.07

1. Significant items of income and expenditure during 2002-03 (comparison of financials for the year ended March 2003 with March 2002)

Net Profit: Net Profit of the Bank increased from Rs. 156.27 Crore in FY02 to Rs. 222.02 Crore in FY03 showing a growth of 42.07%.

Interest Income: Interest income from advances improved from Rs. 834.63 Crore in FY02 to Rs. 886.06 Crore in FY03. Gross Advances of the Bank increased by 15.12% from Rs. 8707.82 Crore as on FY02 to Rs. 10024.79 Crore as on FY03.

Gross investments of the Bank increased by 19.04% from Rs. 9934.91 Crore as on FY02 to Rs. 11826.92 Crore as on FY03. Interest earned on investment also increased to Rs. 1137.24 Crore in FY03 from Rs. 1099.33 Crore in FY02.

The Bank keeps a close watch on market interest rates and is continuously engaged in proactive management of Bank's interest rate risk with the objective to maintain optimum spread. The net interest income of the Bank improved from Rs. 586.78 Crore in 2002 to Rs. 676.31 Crore in FY03.

Other Income: In view of increasing pressure on interest spread, the Bank considers income from non-interest business as the most vital area for generating additional income to improve profitability. Other income of the Bank comprises income from commission, exchange and brokerage, income from investment trading and forex operations, dividend income and miscellaneous income. These incomes are earned in the normal course of business of the Bank. Total other income of the Bank increased by 17.23% from Rs. 307.50 Crore in FY02 to Rs. 360.47 Crore in FY03. During FY02-03, the falling interest rates created favourable



market conditions for stepping up investment trading activities. The Bank capitalized on the opportunities present in the market and substantially increased profit from sale of investment from Rs. 167 Crore in FY02 to Rs. 215.94 Crore in FY03. The profits earned by the Bank from investment trading are realized profits and not notional entries.

The Bank has exercised prudence in booking investment profit and its investment portfolio still has substantial appreciation, which will act as a cushion for future adverse movement in interest rates. However, in future sustaining high income from investment trading will be a challenging task. The modified duration of the portfolio at present is over 3 years.

Interest Expenses: Total interest paid decreased from Rs. 1411.30 Crore in FY02 to Rs. 1405.37 Crore in FY03. In spite of increased competition, the Bank could bring down its average cost of deposits from 7.78 % in FY02 to 7.07% in FY03.

Operating Expenses: During FY02-03 the Bank could effect saving in expenses on salaries and allowances, but there was an increase in overall establishment expenses. The Bank has embarked on stringent control of other operating expenses and could contain the growth of controllable expenses. But due to higher depreciation on computers and writing-off of investment accrued/amortization, total other operating expenses increased from Rs. 479.24 Crore in FY 2002 to Rs. 516.20 Crore in FY2003.

2. Significant items of income and expenditure during 2001-02 (comparison of financials for the year ended March 2002 with March 2001)

Net Profit: Net Profit of the Bank increased from Rs. 46.47 Crore in FY 2001 to Rs. 156.27 Crore in FY 2002 mainly due to reasons explained below.

Interest Income: Interest income from advances improved from Rs. 702.91 Crore in FY 2001 to Rs. 834.63 Crore in FY 2002. Gross Advances of the Bank increased by 22.68% from Rs. 7097.41 Crore as on FY 2001 to Rs. 8707.82 Crore as on FY 2002.

Gross investments of the Bank increased by 11.95% from Rs. 8874.52 Crore as on FY 2001 to Rs.9934.91 Crore as on FY 2002. Interest earned on investment also went up from Rs. 935.91 Crore in FY 2001 to Rs. 1099.33 Crore in FY 2002. Average yield on investment declined from 11.77% in 2001 to 11.20% in 2002. The net interest income of the Bank improved from Rs. 558.31 Crore in 2001 to Rs. 586.78 Crore in 2002.

Other Income: Total other income of the Bank increased from Rs. 222.39 Crore in FY 2001 to Rs. 307.50 Crore in FY 2002.

The Bank is aware of the need to increase non-interest income in order to improve overall profitability and is exploring various avenues to increase fee-based income.

Interest Expenses: Total interest paid increased from Rs. 1147.57 Crore in FY 2001 to Rs. 1411.30 Crore in FY 2002 due to growth in deposits from Rs. 17024.56 Crore as on FY 2001 to Rs. 19130.63 Crore as on FY 2002. However, through proactive management of interest rates, the Bank could substantially bring down its average cost of deposits from 7.80% in 2001 to 7.78% in 2002.

Operating Expenses: There was a decrease in operating expenses from Rs.540.72 Crore in FY 2001 to Rs. 479.24 Crore in FY 2002. The reason is attributed to the substantial decrease in staff cost from Rs 423.70 Crore in FY 2001 to Rs 335.69 Crore in FY 2002 due to VRS Scheme introduced by Bank in FY 2000-01.

Analysis of reasons for changes in significant items of income:

(i) Unusual or Infrequent events and transactions

No Unusual or Infrequent events and transactions occurred in the last 3 years.

(ii) Significant economic changes that materially affected or are likely to affect income from continuing operations

Changes in interest rate structure or any upward movement in interest rates will reduce the value of investment portfolio.

(iii) Known trends or uncertainties that have had or are expected to have a material adverse impact on income from operations.

The introduction of prudential accounting norms during 1992 by Reserve Bank of India affected all banks operating in the country. The Bank with its established systems of banking practices was able to adapt to the deregulated climate. Though the Bank suffered initial setbacks, the Bank has been posting consistent profits in the last four years.

(iv) Future changes in relationship between costs and revenues

Following the gradual reduction in interest rates, as a result of globalisation of economy and liberalisation of financial sector, the net margin is becoming thinner and coming under pressure. It is also expected that costs and revenues as percentage to assets would also come down. To counter this, the Bank is focussing their efforts on reduction of NPAs, increasing the non-interest income and low cost deposits.



(v) Extent to which material increases in net revenues are due to increased volume, introduction of new products or prices

The increase in revenues of the Bank is on account of increased level of business operations and its treasury operations. The Bank has also introduced number of new products, which has resulted in increased revenues.

(vi) Total revenue by major industry segment

All the revenues of the Bank accrue from normal banking business.

(vii) Seasonality of business

Bank's business is not likely to be affected by seasonality

(viii) Concentration of business

The Bank has a diversified credit portfolio to prevent any concentration in exposures both industry wise and client wise. The Bank has a Risk Management Policy and Credit Policy to ensure non-concentration of credit portfolio.

(ix) Competitive conditions

The Bank has presence in all metros and major urban and semi-urban locations. The Bank faces competition from other banks in day-to-day business. However, the Bank has achieved growth in its business and profits.

(x) Non-dependence on a few customers:

The Bank has a diversified credit portfolio to prevent any exposure risk. The Bank has well- designed credit policy in place to ensure the prevention of excess exposure to few customers.

(xi) Servicing behaviour:

The Bank has been servicing all its principal and interest liabilities on time and there have been no defaults since inception.

Material Developments

In the opinion of the Directors of the Bank, there have been no material developments after the date of the last financial statements as disclosed in the Offer Document, which would materially and adversely affect or are likely to affect the trading or profitability of the Bank or the value of its assets, or its ability to pay its liabilities within the next twelve months, other than what has been already set out elsewhere in this Offer Document.

PARTICULARS REGARDING LISTED COMPANIES

There are no listed companies under the same management.

VII. BASIS OF ISSUE PRICE

Qualitative Factors

1. The Bank is a professionally managed organisation with a track record of operations of over 67 years.
2. The Bank offers a wide range of banking services, which include corporate and personal banking, industrial finance, agricultural finance, financing of trade and international banking.
3. Capital adequacy ratio is 12.05% as on March 31st, 2003 against the RBI prescribed minimum of 9%.
4. The net asset value of the Bank's share as on March 31st, 2003 is Rs. 28.69 per share
5. The Bank has a large network of branches spread throughout the country enabling it to raise cheaper funds. The domestic network of the Bank stood at 1288 offices as on September 30th, 2003, which included 1251 branches and 37 extension counters. The Bank has also opened specialised branches to cater to the needs of corporate and industrial finance, international banking, hi-tech agricultural finance, personal banking and small-scale industries.
6. The Bank has an integrated treasury capable of handling all transactions in forex, debt and money markets.
7. The Bank has set up training colleges at Pune and training centres at Mumbai, Nagpur and Aurangabad to impart training to its employees. The Bank has also set up an exclusive training college for imparting training on information technology.
8. Bank has set up a separate Information Technology training institute, first of its kind in banking industry, and imparts computer training to their staff to be in line with latest computer technologies.
9. Consistent deposit growth – Deposits have grown by a CAGR of 19.41% during the last 5 years.
10. Consistent advance growth – Advances have grown by a CAGR of 21.49% during the last 5 years.
11. A well-diversified credit portfolio – As on March 31st, 2003, maximum exposure to any single borrower (excluding Food Credit) does not exceed 3.68% of total advances of the Bank. As on March 31st, 2003 exposure to a single group does not exceed 1.08% of gross advances.
12. 90.45 % of the Assets are classified as Standard Assets as on March 31st, 2003
13. Bank has computerised about 92.24% of its total business and has 45 ATMs as on March 31st, 2003.



Quantitative Factors

The accounting and financial information and ratios mentioned in the Offer Document are based on Auditor's Report dated November 29th, 2003. Auditors have adjusted changes in accounting policies, changes arising out of Audit Qualifications and for the adjustments relating to previous years. Therefore Accounting & Financial information and ratios may not match with the published annual reports of the Bank. The ratios used in the quantitative analysis for the purpose of justification of issue price are based on the Auditors' Report as set out in the Part II of the Offer Document.

1. Earning per Share (EPS)

Financial Year	EPS (Rs.)	Weight used
2000-01	1.41	1
2001-02	4.73	2
2002-03	6.72	3
Weighted Average	5.17	

Weighted Average for last three years: Rs. 5.17

EPS on post issue fully diluted equity base on FY 2003 earnings: Rs. 5.16

2. Price Earnings Ratio (P/E Ratio) in relation to the Offer price

	At Issue Price of Rs. 23 per share
On Equity as at March 31 st , 2003 based on FY 2003 earnings	3.42
On fully diluted equity base post issue on FY 2003 earnings	4.46

3. Industry P/E Ratio

Highest	11.5
Lowest	3.8
Average (Industry Composite)	8.0

(Source: Capital Market Magazine Vol. XVIII/24 dated Feb 2-15, 2004. (Banks- Public Sectors))

4. Return on Average Network

Financial Year	RoNW (%)	Weight used
2000-01	7.04	1
2001-02	20.99	2
2002-03	25.25	3
Weighted Average	20.79	

Weighted average for the last three years: 19.27%

5. Minimum required return on post issue Net worth to maintain pre issue EPS

Offer Price	At Issue Price of Rs. 23 per share
Adjusted Net worth as on March 31 st , 2003	948.13
Issue proceeds	230.00
Post Issue Network	1178.13
Pre Issue EPS (Rs.)	6.72
Minimum RONW required to maintain pre issue EPS (%)	24.55

6. Net Asset Value (NAV) per share

Offer Price	At Issue Price of Rs. 23 per share
As at March 31 st , 2003	28.69
After the issue based on FY 2003 profits	27.36
P/NAV on capital base as at FY 2003	0.80
P/NAV on fully diluted capital base (post issue) as at FY 2003	0.84

7. Comparison of accounting ratios of Bank with industry average and accounting ratios of peer group for FY03:

Bank	EPS (Rs.)	P/E	RONW (%)	NAV (Rs.)
Allahabad Bank	4.7	6.2	19.7	27.1
Andhra Bank	9.8	5.4	40.3	27.9
Indian Overseas Bank	7.4	5.2	36.7	28.3
Syndicate Bank	7.1	5.1	26.7	29.2
Peer Group Average	7.25	5.5	30.8	28.1
Bank of Maharashtra	6.7	3.43*	23.4	28.7

* P/E range is arrived by calculating P/E based on Issue Price of Rs. 23 per share.

Source: Capital Market Magazine Vol XVIII/24 dated Feb 2-15, 2004.

Peer Group average is simple average of above multiples.

The Lead Managers believe that the issue price of Rs.23 per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and the financials of the Bank including important profitability and return ratios, as set out in the Auditors Report in Part II of the Offer Document to have a more informed view about the investment proposition.



VIII. OUTSTANDING LITIGATION, DEFAULTS AND MATERIAL DEVELOPMENTS

The litigation in which the Bank and/or its subsidiary and sponsored institutions are involved are classified into three categories:

- A) Cases filed against the Bank
- B) Cases filed against the Bank's subsidiary and sponsored institutions
- C) Disputed tax liabilities

A) CASES FILED AGAINST THE BANK

As on March 31st, 2003, there were 326 cases including writ petition filed by employees/ex-employees, suits/writs by customers and consumer cases with aggregate claim of Rs. 60.23 crore for which no provision has been made as contingent liability as on March 31st 2003.

Out of these cases:

1. 11 pertain to consumer protection.
 2. 3 relates to Banking Ombudsman.
 3. 166 pertain to recovery of dues.
 4. There are no instances wherein criminal cases have been outstanding against the officials of the Bank in connection with the transactions of the Bank.
 5. There are 146 cases filed by employees/ex-employees against the Bank claiming service benefits such as withdrawal of VRS applications and reinstatement in services/challenging order of dismissals from services/non-payment of terminal benefits like gratuity, non-payment of family pension, not giving due promotion etc., which are pending before the Supreme Court/various High Courts/Civil Courts/Labour Courts/Tribunals etc. None of the above claims relates to pecuniary out flow as well as not quantified.
 6. There are no outstanding litigations in regard to cases involving civil offences and security related offences.
1. Details of Suits filed against Bank not acknowledged as debts where money claim exceeding Rs. 100.00 lakhs has been raised and shown as contingent liability as on March 31st, 2003

A) Details of Suits Filed against Bank not acknowledged as debts where money claim exceeding Rs.100.00 lakhs has been raised and shown as contingent liability as on March 31st 2003.

Sr. No	Date of filing & Suit No.	Complainant / Branch Name	Claim Amount (Rs. in lakhs)	Subject Matter	Remarks / Present Position
1	22.05.2001 OA 455/2000	AEC (India) Ltd./ Karol bagh, New Delhi	547.43	Counter Claim on account of alleged failure of the bank to extend validity of B/G	Suit in DRT, Delhi
2	31.03.2002	West Bengal Agro Ltd / A/c AMTEK Universal New Alipore Kolkata	469.33	Advance against fake deposits. Original depositors denied liability.	Affidavit reply already filed. Suit in High Court.
3	31.03.2002	Ferrous Scrap Dev Comm/ A/c AMTEK Universal New Alipore Kolkata	136.85	- do -	
4	31.03.2002	-do-	134.23	- do -	



Sr. No	Date of filing & Suit No.	Complainant / Branch Name	Claim Amount (Rs. in lakhs)	Subject Matter	Remarks / Present Position
5	31.03.2002	Calcutta Gujrathi Edu Soc/ A/c AMTEK Universal New Alipore Kolkata	100.00	- do -	
6	31.03.2002	-do-	100.00	- do -	
7	13.09.1994 APP.152/2003	India Marine Food Products P.Ltd./ Bajirao Rd. Pune	115.50	Delayed finance by Bank.	Suit in DRAT Mumbai
8	20.03.2001 APP.205/2003	Jog Engg. Ltd./Federal Bank Tilak Rd. Pune	200.00	Non Payment under L/C.	Suit in DRAT, Mumbai
9	20.02.1993 282- P/2001	R. S. Kelkar/ Aundh Pune	183.20	Claim on account of alleged failure of the Bank to finance their Sheep Rearing unit at Yavat as mortgage of property could not be materialized.	Suit originally filed in civil Court and now under transfer to DRT, Pune
10	10.07.2002 935 – P/2001	Parvati Farms P.Ltd./ Agri Hi Tech Pune	128.47	Claim on account of alleged delay in finance & non sanction of additional finance.	Suit in DRT, Pune
11	03.11.2002 371 – P/2003	East West Biotech Ltd. Agri Hi Tech Pune	1065.54	Claim on account of alleged delay in finance & non-sanction of additional finance.	Claim affidavit filed. Suit in DRT, Pune
12	14.08.1996 123 – A/2001	Prakalp P.Ltd. Chikalthana Aurangabad	710.00	Claim on account of alleged loss caused to the company for non-sanctioning of adequate credit facilities. Case transferred to DRT Aurangabad (The compromise sanction terms include withdrawal of the suit)	Case is fixed for reply affidavit. In the meanwhile, compromise proposal has been sanctioned.
13	30.05.2002 245 /2002	Indus Ind Bank Bangalore/ A/c Bellary Steel & Alloys Ltd City Market Bangalore	145.73	Bills drawn under L/C not honoured due to discrepancies in L/C documents presented by the Indus Ind Bank. Indus Ind Bank has contested the same in DRT.	Case is yet to come for hearing. Suit in DRT, Bangalore
	13 A/cs With Claim Above Rs.100.00 lacs		4036.28		
	153 A/cs With Claim Below Rs.100 .00 lacs		769.85		
	TOTAL (166 A/cs)		4806.13		



B) Details of Consumer Cases Filed against Bank not acknowledged as debts where money claim exceeding Rs.100.00 lakhs has been raised and shown as contingent liability as on March 31st 2003.

Sr. No	Date of filing & Suit No.	Complainant / Branch Name	Claim Amount (Rs. in lakhs)	Subject Matter	Remarks / Present Position
1	01.01.1996 O.P 154/1996	A/c Aquadev India Ltd. Agri Hi Tech Hyderabad	1188.00	Loans not released due to irregularities. Party filed complaint before National Consumer Disputes Redressal Commission claiming compensation for damage due to non disbursal of loan.	Both the parties filed affidavit.
	1 A/c Above Rs.100 lacs in Consumer Forum		1188.00		
	10 A/cs Below Rs.100 lacs in Consumer Forum		26.70		
	TOTAL (11 A/cs)		1214.70		

C) Details of Complaints Filed before Banking Ombudsman against Bank not acknowledged as debts where money claim exceeding Rs.100.00 lakhs has been raised and shown as contingent liability as on March 31st 2003.

Sr. No	Suit No. /Forum & Date of filling	Complainant / Branch Name	Claim Amount (Rs. in lakhs)	Subject Matter	Remarks / Present Position
	3 A/cs Below Rs.100 lacs before Banking Ombudsman		1.86		

2. Details of Show Cause Notices issued to the Bank

There are no show- cause notices issued against the Bank.

3. There is no Disciplinary action against the Bank by Regulatory Authorities

B) CASES FILED AGAINST THE BANK'S ASSOCIATES

There is no case filed against Bank's Associate.

C) DISPUTED TAX LIABILITIES

INCOME TAX MATTERS AS ON 31.10.2003

There are disputed Income Tax Demands pertaining to past periods, involving a disputed amount of Rs.147.14 crores and a disputed tax amount thereon Rs.58.05 crores. The claims are contested in Appeals before various Appellate Authorities. No provisions have been made by the Bank against these claims, as the tax has already been paid fully for these years. If these Appeals are upheld by the respective Authorities, the Bank would be receiving the refund of the tax paid.



The details of the cases are as under:

APPEAL PENDING BEFORE ITAT –

A.Y.	Nature of Dispute / Issues under Dispute	Disputed Amount (Rs. in crores)	Latest Position	Tax amount including Interest (Rs. in crores)
1986-87	Depreciation of Building	0.01	Appeal not yet heard.	00.05
1987-88	Loss on Valuation of Shares	0.39	COD approval received. Yet to take on Board.	26.17
	Loss on Valuation of Securities	51.82		
	Depreciation of Building	0.13		
1988-89	Loss on Valuation of Govt. Securities	2.45	COD approval received. Yet to take on Board.	01.34
	Loss on Sale of Bonds	0.025		
	Depreciation of Premises	0.24		
1989-90	Depreciation of Premises	0.36	COD approval received. Yet to take on Board.	00.18
	Loss on Valuation of Govt. Securities	2.65	COD approval received. Yet to take on Board.	02.61
	Interest paid on securities	34.14		
1990-91	Loss on valuation of Govt. Securities	6.64	COD approval received. Yet to take on Board.	03.67
	Depreciation on Building	0.16		
	Purchase of Computers– Deduction u/s 32AB	0.45	COD approval received. Yet to take on Board.	00.24
1991-92	Loss on valuation of Govt. Securities	10.78	COD approval received. Yet to take on Board.	07.01
	Interest on Securities purchased.	4.30		
	Previous Year Expenditure	0.16		
1992-93	Loss on valuation of Shares & Debentures	0.64	COD approval received. Yet to take on Board.	12.65
	Loss on Valuation of Govt. Securities	18.50		
	Interest on Securities Purchased.	5.30		
1993-94	Loss on Valuation of Govt. Securities	0.25	COD approval received. Yet to take on Board.	00.72
	Loss on Valuation of Debentures	1.05		
	Loss on Valuation of Shares	0.10		
	Loss on Valuation of Securities	0.24	COD approval received. Yet to take on Board.	00.85
	Loss on Valuation of Investments	1.16		
	Interest on Securities Purchased	0.24		
1994-95	Interest on Securities Purchased	4.96	COD approval received. Yet to take on Board.	02.56
	Total	147.14		58.05



INTEREST TAX MATTERS AS ON 31.10.2003

There are disputed Interest Tax Demands pertaining to past periods, involving a Disputed Amount of Rs.37.56 crores and Disputed Tax Amount thereon Rs.1.46 crores. The claims are contested in Appeals before various Appellate Authorities. No provision has been made against these demands. If these Appeals are upheld by the respective Authorities, the Bank would be receiving the refund of the tax already paid. The details of the cases are as under:

CASES RELATING TO INTEREST TAX PENDING WITH ITAT

A.Y.	Nature of Dispute / Issues under Dispute	Amount (Rs. in crores)	Latest Position	Tax amount including Interest (Rs. in crore)
1983-84	Interest on Sticky Loans	9.36	Appeal not yet heard.	00.33
1984-85	Interest on Sticky Loans	6.95	Appeal not yet heard.	00.24
1985-86	Interest on Sticky Loans	5.60	Appeal not yet heard.	00.20
1986-87	Interest on Sticky Loans	1.82	Appeal not yet heard.	00.06
1999-00	Interest on Refinance	4.39	COD approval not yet received.	00.30
	TOTAL	28.12		01.13

CASES RELATING TO INTEREST TAX PENDING WITH HIGH COURT –

A.Y.	Nature of Dispute / Issues under Dispute	Amount (Rs. in crores)	Latest Position	Tax amount including Interest (Rs. in crore)
1978-79	Interest on Sticky Loans	1.30	Filed with Hon'ble High Court Mumbai.	00.04
1979-80	Interest on Sticky Loans	1.44	Filed with Hon'ble High Court Mumbai.	00.05
1981-82	Interest on Sticky Loans	2.79	Filed with Hon'ble High Court Mumbai.	00.10
1982-83	Interest on Sticky Loans	3.91	Filed with Hon'ble High Court Mumbai.	00.14
	Total	9.44		00.33

No proceedings have been launched against the Bank for any of the offences under any enactment, irrespective of whether specified in Paragraph 1 of Part I of Schedule XIII to the Companies Act. No such litigation or disputes are pending as on today and there are no defaults or outstanding statutory dues.

There are no pending proceedings initiated for economic offences.

No disciplinary action/ investigation has been taken by the Securities and Exchange Board of India/ Stock Exchange against the Bank and its Directors

The Bank has not defaulted in meeting statutory dues, Institutional dues and has made all payments/refunds on debentures/ fixed deposits. It has not defaulted on dues to holders of other Debt Instruments.

No penalty has been imposed by SEBI against the Bank & its branches.

There are no small-scale undertakings/ creditors to which the Bank owes any sum exceeding Rupees one lakh where payment is outstanding for a period of more than 30 days.



SERVICING BEHAVIOUR

There has been no default in meeting statutory dues, institutional dues and dues towards payment of interest or principal on due dates to holders of Bonds and Fixed Deposits.

AGAINST THE DIRECTORS OF THE BANK

There are no outstanding litigations, disputes or penalties against the Directors of the Bank, including tax liabilities, economic offences, criminal or civil prosecution for any offence, irrespective of whether specified under any enactment in Paragraph 1 of Part I of Schedule XIII, of the Companies Act, 1956 or any other liability in their personal capacities or as Director/ Partner/ Sole Proprietor in the Company or any other company/firm.

There are no litigations against the Directors involving violation of statutory regulations or criminal offences. No disciplinary action has ever been taken by the Securities and Exchange Board of India or Stock Exchanges and no penalty has been imposed by any authority. There is no suit pending against the Directors in capacity as director or partner or sole proprietor in any other company/firm.

Other than as stated above, there are no disputes/ litigations towards tax liabilities or any criminal or civil prosecutions against the Bank for any offence – economic or otherwise. No criminal proceedings have been launched against the Bank under any of the enactment irrespective of whether specified in paragraph 1 of part I of Schedule XIII of the Companies Act.

INTEREST OF DIRECTORS OF THE BANK

The Directors of the Bank are interested to the extent of shares held by them and/ or by their friends and relatives or which may be subscribed by them and/ or allotted to them by the Bank.

The Directors of the Bank are interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee and reimbursement of travelling and other incidental expenses, if any, for such attendance as per the rules of the Bank.

The Directors of the Bank are not interested in the appointment of or acting as Underwriters, Registrars and Bankers to the Issue or any such intermediary registered with SEBI.

The Directors of the Bank are not interested in any property acquired by the Bank within two years of the date of Offer Document or proposed to be acquired by it.

Save as stated above, no amount or benefit has been paid or given to the Bank's Directors or Officers since its incorporation nor is intended to be paid or given to any Directors or Officers of the Bank except the normal remuneration and/or

disbursement for services as Directors, Officers or Employees of the Bank.

IX. INVESTOR GRIEVANCE & REDRESSAL SYSTEM

As the Bank is raising Equity through the Capital Markets for the first time, there are no grievances from Investors. To ensure that the Investor grievances are handled expeditiously and satisfactorily the Bank shall set up a Committee headed by the Bank's Compliance Officer to handle all investor grievances. The Bank has already set up an Initial Public Offering Cell, proposes to set up a Share Department, and proposes to appoint a Registrar and Transfer Agent to effectively deal with Investor complaints. The agreement between the Bank and the Registrars to the Issue provides for the retention of issue records with the Registrars for a period of at least twelve months from the last date of dispatch of Letters of Allotment / Share Certificates / Refund Orders to enable the investors to approach the Registrars for redressal of their complaints.

Compliance Officer

Shri V. K. Ambekar

Deputy General Manager

AIFM

Bank of Maharashtra

Central Office, Lokmangal,

1501, Shivajinagar, Pune 411 005

Tel no.: 020 25538035

Fax no.: 020 25533924

E-mail: ipo@mahabank.co.in

Web site: <http://www.maharashtrabank.com>

The investors can also contact the Registrars to the Issue, M/s MCS Limited at their office at Sri Padmavathi Bhavan, Plot No. 93, Road No. 16, MIDC, Andheri (East), Mumbai – 400 093, Tel: (022) 2820 1785, Fax: (022) 2820 1783, Email: mcsnum@vsnl.com in case of queries/complaints, if any, regarding this issue.

RISK FACTORS, MANAGEMENT PROPOSALS (MP) THEREOF & NOTES TO RISK FACTORS

The following are certain considerations, which the investors should specifically peruse through before taking an investment decision in the offer. In some of the risk factors and their management proposals, reference page numbers have been provided, which can be used to obtain more details about the said risk.

INTERNAL RISK FACTORS

1. The net profit of the Bank increased from Rs. 145.41 crores



as on March 31st, 2002 to Rs. 222.02 crores as on March 31st, 2003, which may not be sustainable in future.

MP: The growth of profit was on account of increase in profit on sale of investments by Rs. 48.94 crores; and improvement in spread by Rs. 89.53 crores. There was a notional appreciation of Rs. 995.12 crores in the investment portfolio as on March 31st, 2003, justifying the quantum of profit booked by sale of investments.

2. The total contingent liability of Rs. 6,979.51 crores as on March 31st, 2003, other than those mentioned under risk factor 16 regarding outstanding litigations, consists of claims against the Bank not acknowledged as debts of Rs. 89.75 crores, liability on account of outstanding forward exchange contracts of Rs. 5,362.77 crores, Guarantees on behalf of constituents of Rs. 1,221.75 crores, acceptances and endorsements and other obligations of Rs. 242.59 crores and other items for which Bank is contingently liable of Rs. 62.65 crores.

MP: The contingent liability is a part of the normal business of the Bank. The Bank follows prudent assessment policies in case of contingent exposures.

3. The Annual Financial Inspection (AFI) of RBI for March 31st, 2002 indicates certain divergence in asset classification, income recognition, provisioning, need for strengthening internal control systems, credit supervision, credit appraisal and all such shortcomings in other areas. For further details investors can refer to page no. 53 of this Offer Document.

MP: The Bank has taken necessary steps for compliance in this regard and made necessary provision for the year-ended March 31st, 2003. Due to difference in interpretation in case of 43 accounts, there was a short provision of Rs. 9.72 crores, which, the Bank has rectified by making additional provisions. The Bank is making concerted efforts to further strengthen the existing systems and procedures. The Bank has appraised RBI of the remedial measures taken, systems introduced and those under implementation.

4. The provisions & contingencies requirement has grown up from Rs. 269.63 crores as on March 31st, 2002 to Rs. 298.56 crores as on March 31st, 2003.

MP: The Bank has consciously made additional provisions on account of Income Tax, Non-Performing Assets and transition towards 90 days norms.

5. The gross NPA and net NPA as on March 31st, 2003 stood at 9.55% and 4.82% respectively, indicating the necessity to strengthen the credit portfolio. For further details investors may refer to the paragraph on Asset

Classification, Income Recognition and Provisioning on Page no. 39 of this Offer Document.

MP: The Bank is making progress to improve the quality of assets and reduce the NPA levels. The gross NPA and net NPA came down from 12.35% and 7.41% respectively as on March 31st, 2001 to 9.55% and 4.82% as on March 31st, 2003, which is almost in line with the average of 9.36% and 4.54% of all the Public Sector Banks. The Bank has reduced NPAs by Rs.216.33 crores during the year 2002-03. The Bank has a comprehensive recovery management policy in place.

6. The top 10 clients had accounted for around 30% of the total advances of the Bank as on March 31st, 2003. This could affect the overall performance of the Bank in case of default by any one or more such account.

MP: All the 10 accounts referred to above are under "Standard category" as on March 31st, 2003, and these also include food credit, which constitutes 10.13%, which is lent to GOI. The top ten clients (excluding the credit to Government) account for 20.69% of the total advances of the Bank as on March 31st, 2003 and all the top ten accounts are in 'Standard Category' as on March 31st, 2003. The Bank has put in place a well-conceived Credit Policy to ensure proper selection, processing and follow up of all accounts. Adequate securities are obtained to protect the Bank's interest.

7. One of the three Regional Rural Banks (RRBs) sponsored by the Bank i.e. Marathwada Gramin Bank has accumulated losses aggregating to Rs. 64.51 crores as on March 31st, 2003.

MP: Bank of Maharashtra has sponsored RRBs jointly with the Central government and State Government. The Central Government, State Government and Bank of Maharashtra have contributed 50%, 15% and 35% respectively towards capital of RRBs. It has a large network of 240 branches spread over 6 districts in Maharashtra with a deposit and advances base of Rs. 508.57 crores and Rs. 153.36 crores respectively as on March 31st, 2003. The Bank has framed a strategy to enable the RRB to reduce the accumulated losses. As on September 30th, 2003, the RRBs has posted an operating profit of Rs.1.36 crores as against the operating loss of Rs. 4.25 crores on September 30th, 2002.

8. The Asset Liability Statement as on March 31st, 2003 indicates certain mismatches with highest negative mismatch in the time period of over 5 years at (-) 19% of outflows.

MP: Nearly 86% of the outflows in the period of over 5



years are Term deposits. During the year 2002 nearly 71% of the term deposits are getting renewed on maturity and hence no liquidity problems are visualised. The Bank has not collected data afterwards for this purpose from its branches. Since 1999, the Bank has implemented the Asset Liability Management system to systematically quantify and to manage various risks. The mismatches indicated in the ALM statement as on March 31st, 2003 are within the tolerance limit prescribed by RBI and the Board. The RBI prescribed tolerance limit for negative mismatch in the time buckets of 1-14 days and 15-28 days shall be within 20% of outflow. Further the Bank has adequate excess liquid investments to meet any unforeseen liquidity problems.

9. The working Group set up by the RBI in consultation with the Government of India, under the chairmanship of Shri. M. S. Verma had assessed the banks' strengths/weaknesses based on seven parameters, under three major areas namely solvency, earning capacity and profitability.

The Verma Committee had grouped Bank of Maharashtra under "Category 2" (Banks where some of the parameters are not met) for the years 1998 and 1999 for complying with capital adequacy and non-compliance with three or four of the remaining efficiency parameters. For further details investors may refer to page no. 67.

MP: The Verma Committee Report is with respect to the years 1998-99. The Bank has made progress in business growth since March 31st, 1999. The profits and reserves level have considerably improved since then and the Bank has reported net profits of Rs. 222.02 crores as on March 31st, 2003.

10. The risk associated with the management of credit portfolio, like default in payment, concentration risk, changes in internal/ external policies, etc.

MP: The Bank has framed a Risk Management policy and has constituted the Credit Policy Committee to effectively implement the Bank's loan policy and formulate policies on standards for presentation of credit proposals, financial covenants, delegation of approving powers, standards for loan collateral, loan pricing, loan provisioning, etc. The Loan Policy contains prudential limits on various aspects of credit exposure and management.

The Bank has also set up an Approval Grid at Central Office and all Regional Offices with a view to obtaining preliminary clearance on credit proposals from the risk perception.

11. The Bank has wide spread network, which could create

problems in total mechanisation of the entire operations.

MP: More than 90% of the Bank's business is already performed on a computerised platform. The Bank has introduced the "Nodal Cell" Concept to capture the business details of rural branches. An IT Training Institute has also been established to sharpen the knowledge and skills of all employees in the technology related areas.

12. In the declining interest rate regime, the ability of the Bank to reduce operating expenses and improve the non-interest income may not be sustainable.

MP: Various measures are initiated by the Bank to control the operating expenses. Bank came out with the VRS (Voluntary Retirement Scheme) for its employees in 2000-2001 and 1876 employees had opted for VRS. The positive impact of VRS on operating expenses will be long term in nature. Further, the Bank's non-interest income has increased by Rs. 53 crores during 2002-2003 and the Bank has identified improvement in non-interest income as one of the thrust areas in the business plan, in addition to mobilising low cost deposits.

13. 84.79 % of the Term Deposits as on March 31st, 2003 are due to mature within 3 years. The Bank may suffer from Asset Liability mismatch if a significant portion of these deposits is not rolled over by the depositors.

MP: According to the normal behavioural pattern and past experience, a large portion of deposits gets rolled over. In addition there are also fresh accretion of deposits, which the Bank feels would mitigate the asset liability mismatches. Term deposits of the Bank have grown by 12.00% in FY 2002 and 19.47% in FY 2003. During the year 2002 nearly 71% of the term deposits are getting renewed on maturity. The Bank has not collected data afterwards for this purpose from its branches. The Bank has adequate excess liquid investments of Rs. 6589.64 crores as on September 30th, 2003 in the form of excess SLR investments to meet any unforeseen liquidity problems.

14. Nearly 76% of the branches are located in the Western part of India thereby exposing the Bank to the risk of regional concentration. Moreover, 46.84% of the total number of branches comprises of rural branches with limited potential for business growth.

MP: The regional presence of the Bank has not been a deterrent to the growth of business of the Bank. The total business levels have grown by 15.67% in 2002-2003, and deposits have posted a growth of 15.92% during the year 2002-2003. The deposits have grown at CAGR of 19.41 % during the last 5 years from Rs. 9134.30 crores



as on March 31st, 1998 to Rs. 22175.75 crores on March 31st, 2003. The net advances of the Bank have increased from Rs. 3592.61 crores on March 31st, 1998 to Rs. 9508.14 crores on March 31st, 2003 posting growth at CAGR of 21.49 % in the last 5 years. The net profit of the Bank has also shown a rise from Rs. 51.89 crores on March 31st, 1999 to Rs. 222.02 crores on March 31st, 2003 in the last 4 years. The Bank is successfully endeavouring to open branches in other states as well as in other population areas other than rural so as to dilute the concentration risk.

15. The Bank could not achieve the stipulation of the export target of 12% of net bank credit and the stipulation of agricultural credit of 18% of net bank credit as per RBI directives for the years 1999, 2000, 2001, 2002 and 2003.

MP: The Bank is making efforts to achieve these targets. However the non-achievement of the target has no negative impact on the working results of the Bank.

16. As on March 31st, 2003, there are 180 cases filed against the Bank pertaining to business disputes, disputes with customers etc with aggregate claim of Rs. 60.23 crores. Out of these, the claim amount/ contingent liability exceeding Rs. 1 crore were 14 cases aggregating Rs. 52.24 crores. There are also 146 cases, as on November 30th, 2003, filed against the Bank by its employees for staff related matters. For details of these cases Investors are advised to refer to para on Outstanding Litigations on page no. 72 of the Offer Document

MP: The Bank is contesting the above-mentioned claims at the appropriate courts/forums.

17. As on October 31st, 2003, 26 proceedings against the Bank relating to disputed Income Tax amount of Rs. 58.05 crores and disputed Interest tax amount of Rs. 1.46 crores are pending in appeal with the Income Tax authorities.

MP: The Bank has already paid the income-tax demands of Rs. 58.05 crore and interest tax demand of Rs. 1.46 crore.

18. As on March 31st, 2003, in Marathwada Gramin Bank, one of the Regional Rural Banks sponsored by the Bank, there are 25 cases filed against the RRB by its employees, 4 cases filed by the RRB against its employees and 1 case filed in the Consumer Dispute Redressal Commission, Mumbai

MP: All the cases are contested at appropriate courts/forums by Marathwada Gramin Bank.

19. Lending Risks – The lending risk involves inability or

unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

MP: The Bank takes adequate care to minimise such risks by having a well-diversified credit portfolio. The Bank also follows a comprehensive project/ credit appraisal system and lending norms, which govern industry/ client exposure. The Bank has put in place a comprehensive credit policy and credit rating system under which all the borrowal accounts of Rs. 2.00 lakhs and above are rated on various parameters and the risk is priced accordingly with a suitable mark up to PLR depending on the rating of each borrower. The Bank also has a comprehensive Risk Management Policy in place aimed at mitigating the credit risk.

20. Any future offering by the Bank may dilute the holdings of the allottees of the present Public Issue or may affect the market price of the shares of the Bank adversely.

External Risk Factors

1. The shareholders of the Bank do not have a right to receive dividend within 30 days as is available to companies under the Companies Act.
2. **Regulatory restrictions on the Bank and limitations of the powers of shareholders of the Bank**

There are a number of restrictions as per the Bank Nationalisation Act and Banking Regulations Act, which impede flexibility of the Bank's operations and affect/restrict investors' right. These are as under:

- (i) The Banks can carry on business/activities as specified in the Act. There is no flexibility to pursue profitable avenues if they arise, in contrast with companies under the Companies Act, where shareholders can amend the Objects Clause by a special resolution.
- (ii) In terms of Section 8 of The Banking Regulation Act, 1949, the Bank is prohibited from doing trading activity, which may act as an operational constraint.
- (iii) In terms of Section 17(1) of The Banking Regulation Act, 1949, every banking company shall create a Reserve Fund and shall, out of the balance of profit of each year as disclosed in the Profit & Loss a/c prepared under Section 29 and before any dividend is declared transfer to the Reserve Fund a sum equivalent to not less than twenty five percent of such profit.
- (iv) In terms of Section 19 of The Banking Regulation Act, 1949 there are some restrictions on the banking



companies regarding opening of subsidiaries which may deny the Bank from exploiting emerging business opportunities.

- (v) In terms of Section 23 of The Banking Regulation Act, 1949 there are certain restrictions on the banking companies regarding opening of new place of business and transfer of existing place of business, which may hamper the operational flexibility of the Bank.
- (vi) In terms of Section 25 of The Banking Regulation Act, 1949 each banking company has to maintain assets in India which is not less than 75% of its demand and time liabilities in India which in turn may prohibit the Bank from creating overseas assets and exploiting overseas business opportunities.
- (vii) There are restrictions in the Banking Regulation Act regarding,
 - a) Management of a bank including appointment of directors
 - b) Borrowings and creation of floating charge thereby hampering leverage. Banks may have to resort to unsecured debt instruments for borrowings.
 - c) Expansion of business as the branches need to be licensed
 - d) Disclosures in the profit & loss account and balance sheet
 - e) Production of documents and availability of records for inspection by shareholders
 - f) Reconstruction of banks through amalgamation
 - g) Further issues of capital including issue of bonus shares/rights shares for which prior MoF/RBI approval is required
- (viii) Various rights/powers of shareholders available under the Companies Act in this behalf are not available to the shareholders of the banks. These rights include rights such as calling for general meetings, inspection of minutes and other material records, application for relief in cases of oppression and mismanagement, voluntary winding up etc.
- (ix) As per Section 3 (2E) of the Bank Nationalisation Act, "no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank".

- (x) No banking company shall pay dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses and any other item not represented by tangible assets) have been completely written off. The Bank has received an exemption from GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) vide gazette notification F. No. 11/19/2001-BOA dated January 27th, 2004 from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years from the date of the notification.

3. Sensitivity to the economy and extraneous factors

The Bank's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and business & consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Bank including the quality and growth of its assets.

4. Competition from existing and new Commercial Banks

Competition in the financial sector has increased with the entry of new players and is likely to increase further as a result of further deregulation in the financial sector. The Bank may face competition both in raising resources and in deploying them.

MP: The Bank has an established broad-based presence and has been taking steps to enhance customer satisfaction by upgrading skills, systems and technology to meet such challenges. The Bank is attempting to add quality assets on competitive terms. The Bank is also taking steps to broad base its product bouquet with a special emphasis on enhancement in the non-fund based income. On the resource-raising front, the Bank is actively endeavouring to broaden its reach and raise resources through its wide distribution network of 1288 branches including 12 service branches and 37 extension counters. The Bank is further backed by 67 years of banking experience with proven track record. For more details on the business environment of the Bank, investors are advised to refer to the para on 'Management Discussion and Analysis of Financial Results' on page no. 68.

5. Changes in regulatory Policies

Major changes in Government/ RBI policies relating to banking sector may have an impact on the operations of



the Bank.

MP: The Policy changes may provide both opportunities and challenges for the Bank. The Bank has a long presence in the banking sector for more than 67 years and does not perceive policy changes to be a major threat.

6. Disintermediation in the financial markets:

Development of Capital Markets may result in disintermediation by current and potential borrowers whereby many companies may access the markets directly, thereby reducing their dependence on the Banking system.

MP: The Bank has, in recent years, launched several retail lending schemes so as to broaden its borrower base and distribute its risk concentration. Further, disintermediation brings with it the opportunity for the Bank to expand its fee-based activities. The Bank has been endeavouring to develop a presence in several financial services to earn fee based income by focussing on businesses such as foreign exchange, treasury, investments, cash management, Bancassurance and depository participants, thus taking advantage of the disintermediation phenomenon.

7. Forex risk

Exchange Rate fluctuations may have an impact on the Bank's financial performance.

MP: As per RBI guidelines, banks are not allowed to keep open position on their foreign exchange transactions beyond prescribed limits on a daily basis. Foreign exchange transactions beyond such limits, if any, must be squared off at the end of each day. Hence, the risk from exchange rate fluctuations is minimised. The Board of Directors of the Bank has also prescribed limits for gaps or mismatches in maturities of Bank's foreign currency assets & liabilities and forward transactions in foreign exchange. The Bank operates within the limits fixed for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange, thus minimising the risks of mismatches in maturities and interest rates.

8. Interest rate risk

Interest rate volatility exposes the Bank to an interest rate risk or market risk. Such interest rate risk has a potential impact on net interest income or net interest margin as well as on the market value of the fixed income securities held by the Bank in its investment portfolio.

MP: These risks are inherent in the banking business. However, the Bank has put in place a system of regular

review of lending and deposit rates in order to minimise the interest rate risk. The Corporate Risk Management Committee of the Bank reviews the risk on a regular basis. Continuous Risk Management measures are initiated depending upon the movement in the market interest rates. The movement in the interest rates is closely monitored for appropriate action. For more details on the Risk Management procedures, investors are advised to refer to para on Risk Management on page 52 of the Offer Document.

9. Operational Risk

Operational risk is a result of failure of operating system in a bank due to certain reasons like computer breakdowns, power disruptions, fraudulent activities, natural disaster, human error or omission or sabotage.

MP: For mitigating and controlling the operational risk, the Bank has established a well-established internal control system. Apart from that, the Bank also has a separate administrative structure to formulate, implement and monitor systems and procedures.

10. Financial Statements in the offer document

The financial statements and derived ratios therefrom contained in the Offer Document are prepared / computed as per the permissible accounting practices. The investors may want to make their own adjustments to the same before arriving at an investment decision in the offer.

MP: The financial statements and the derived ratios have been prepared in conformity to the extant guidelines and the same have been certified by the statutory auditors of the Bank. The Bank is also governed by the prudential norms of RBI for income recognition, Asset Classification and provisioning.

NOTES TO RISK FACTORS

1. Networth of the Bank as on March 31st, 2003 is Rs. 948.13 crores.
2. The present Initial Public Offering (IPO) of the Bank aggregates Rs. 230 crores.
3. The Book Value of the share as on March 31st, 2003 is Rs. 28.69 per share (face value of Rs.10/- per share)
4. Cost per share of the Bank to the Government of India is Rs. 10/-.
5. The shareholders of the Bank do not have a right to receive dividend within 30 days as is available to companies under the Companies Act.
6. The financial information (Auditors Report) as contained



in PART II of this Offer Document including the notes to accounts, significant accounting policies has been duly certified by the statutory auditors of the Bank. As far as possible, these audited numbers have been used for computation or derivation of other financial information contained in the Offer Document. However, such other financial information contained in the Offer Document, except as contained in Auditors Report under PART II has been certified by the management of the Bank.

7. The Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. The Bank is in dialogue with RBI in respect of observation made by RBI in their report for previous years. RBI does not allow disclosure of its inspection report and that all the disclosures in the Offer Document are on the basis of management and audit reports of the issuer.
 8. Section 3 (2E) of the Bank Nationalisation Act provides that no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank.
 9. Section 3(2B)(c) of the Bank Nationalisation Act provides that the paid-up capital may, from time to time, be increased by such amounts as the Board of Directors of the Bank may, after consultation with the RBI and with the previous sanction of the Central Government, raise by Public Issue of equity shares as may be prescribed, so however, that the Central Government, at all times, hold not less than fifty-one per cent of the paid-up capital of each of the Corresponding New Bank. The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2000 proposes to reduce the minimum stake of the Government from 51% to 33%.
 10. Section 15 (1) of the Banking Regulation Act provides that no banking company shall pay dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.
- The Bank has received an exemption from Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) vide letter ref. F. No. 11/19/2001-BOA dated January 27th, 2004 from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years.
11. No person holding shares in the Bank in respect of any shares held by him can exercise voting rights on poll in excess of 1% of the total voting rights of all the shareholders of the Bank.
 12. Some sections of the Offer Document such as Corporate Vision, Mission, Strategy, Loan Policy etc. may contain some qualitative forward-looking statements, which may not materialise in future. Investors are requested to exercise due discretion while pursuing such sections.
 13. In the event of differences in the provisions of the Banking Companies Act (Acquisition and Transfer of Undertakings) Act 1980 and Companies Act on a given issue particularly with reference to shareholders rights, the former overrides the later.
 14. In addition to the Lead Manager, the Bank is also obliged to update the Offer Document and keep the public informed of any material changes till listing and trading commences.
 15. For the purposes of compliance with AS-4 regarding events occurring after Balance Sheet Date, the Bank certifies as under:
 - a. There are no contingencies save and except as disclosed in the Offer Document, the outcome of which might have material impact on the financial position of the Bank.
 - b. There have been no significant material events that have occurred after the Balance Sheet date till the date of this Offer Document.



16. Transactions between Bank of Maharashtra and its subsidiaries and associates:

a) **Transactions between Bank of Maharashtra and the Maharashtra Executor & Trustee Company Pvt. Limited**

METCO is a 100% subsidiary of Bank of Maharashtra. The company is availing following limits from Bank of Maharashtra:

(Rs. in crore)

Particulars	Limit	Outstanding as on September 30 th , 2003
C.C	Nil	Nil
WCDL	Nil	Nil
Clean OD	Nil	Nil
Total Availed	Nil	Nil
Non-fund Based	Nil	Nil

Transactions between the Bank and METCO during the last 3 years

(Rs. in lakhs)

Year ended March 31 st	2001	2002	2003
Reimbursement of salary of officers of BOM	13.47	13.85	14.41
Fees received from BOM for work as Transfer Agent of Bank Tier II Bonds	—	0.30	0.65
Fees received from BOM for legal consultation for Bank Premises	—	—	1.31
Fees received from BOM for the work of VRS Bond Management	—	0.19	0.32

b) **Transactions between the Bank and Magic –eMoney Ltd.**

Magic –eMoney Ltd is a joint venture initiative of Bank of Maharashtra (BOM) with Next Step Infotech P. Ltd. (NSIPL), and Magic Software Enterprises (MSE) Israel. Dena Bank joined later as an equity partner. The Bank holds 30% equity stake in the Joint Venture without having any management control over the Company.

Particulars	During the year 2001-2002	During the year 2002-2003
Billing by Magic e Money Ltd for various Banking software/s	Rs. 150.36 lakhs	Rs. 113.89 lakhs
CEO's Salary reimbursed to Bank of Maharashtra	Rs. 2.81 lakhs	Rs. 3.10 lakhs.
Receipt of dividends	Rs.1.50 lakhs	Nil



c. Transactions between the Bank and RRBs during the last three years:

1. Aurangabad Jalna Gramin Bank:

(Rs. in lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank	4640	5025	4875
Interest earned on deposits kept with Sponsor Bank.	299	431	504
Balance in Current Account with sponsored Bank	203	186	175
Remuneration paid to Officers on deputation to RRBs by sponsor bank	7	7	6
Share Capital	35	35	35
Share capital deposit	232	232	232
Investment in Tier II bonds of sponsor Bank	—	—	200
Interest earned on Tier II bonds	—	—	0.07
Refinance outstanding from Sponsor bank	715	825	—
Interest paid on refinance	78	49	67

2. Thane Gramin Bank:

(Rs. in lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank			
a. In current account	58.38	28.19	33.55
b. Other deposits	1933.00	2778.00	2014.00
Interest earned on deposits			
a. Current Accounts	2.23	2.30	Nil
b. On Other Deposits	217.43	242.84	275.39
Remuneration paid to officers on deputation from sponsor Bank	6.39	6.44	7.78
Deposits from sponsor Bank as share capital, share capital deposit	85.67	85.67	85.67
Investment in Tier II Bonds of sponsor Bank	Nil	Nil	50.00
Interest earned on investment	Nil	Nil	0.04



3. Marathwada Gramin Bank:

(Rs. in lakhs)

Particulars	31.3.2001	31.3.2002	31.3.2003
Deposits kept with sponsor Bank			
a. In current account	393.24	508.33	351.39
b. Other deposits	14475.00	14950.00	6850.00
Interest earned on deposits	1471.03	1638.73	1213.66
Remuneration paid to employees on deputation from sponsor Bank	7.87	6.49	8.65
Deposits from sponsor Bank as Share Capital including share capital deposit	657.86	657.86	657.86
Investment in Tier II Bonds of sponsor Bank	—	—	200.00
Interest earned on Tier II Bonds	—	—	—
Refinance outstanding from sponsor Bank	1440.79	198.62	—
Interest paid on refinance during the year	114.81	121.29	2.52

HIGHLIGHTS

1. The Bank is a professionally managed organisation with a track record of operations of over 67 years.
2. The Bank offers a wide range of banking services, which include corporate and personal banking, industrial finance, agricultural finance, financing of trade and international banking.
3. Capital adequacy ratio is 12.05% as on March 31st, 2003 against the RBI prescribed minimum of 9%.
4. The net asset value of the Bank's share as on March 31st, 2003 is Rs. 28.69 per share
5. The Bank has a large network of branches spread throughout the country enabling it to raise cheaper funds. The domestic network of the Bank stood at 1288 offices as on September 30th, 2003, which included 1251 branches and 37 extension counters. The Bank has also opened specialised branches to cater to the needs of corporate and industrial finance, international banking, hi-tech agricultural finance, personal banking and small-scale industries.
6. The Bank has an integrated treasury capable of handling all transactions in forex, debt and money markets.
7. The Bank has set up training colleges at Pune and training centres at Mumbai, Nagpur and Aurangabad to impart training to its employees. The Bank has also set up an exclusive training college for imparting training on information technology.
8. Bank has set up a separate Information Technology training institute, first of its kind in banking industry, and imparts computer training to their staff to be in line with latest computer technologies.
9. Consistent deposit growth – Deposits have grown by a CAGR of 19.41% during the last 5 years.
10. Consistent advance growth – Advances have grown by a CAGR of 21.49% during the last 5 years.
11. A well-diversified credit portfolio – As on March 31st, 2003, maximum exposure to any single borrower (excluding Food Credit) does not exceed 3.68% of total advances of the Bank. As on March 31st, 2003 exposure to a single group does not exceed 1.08% of gross advances.
12. 90.45 % of the Assets are classified as Standard Assets as on March 31st, 2003
13. Bank has computerised about 92.24% of its total business and has 45 ATMs as on March 31st, 2003.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risk involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.



PART II

A. GENERAL INFORMATION

CONSENTS

Consents in writing of the Lead Managers to the Issue, Directors, Auditors, Legal Advisor, Compliance Officer, Co-Managers to the Issue, Bankers, and Registrars to the Issue to act in their respective capacities have been obtained and filed, along with a copy of the Offer Document with the Stock Exchanges, and such consents have not been withdrawn up to the time of delivery of the Offer Document with the said Stock Exchange. The Auditors of the Bank have given their written consent to the inclusion of their Report in the form and context in which they appear in the Offer Document, and also the tax benefits available to the Bank and its Shareholders, and such consents and reports have not been withdrawn up to the time of delivery of the Offer Document.

EXPERT OPINION

Save as stated else where in the Offer Document, the Bank has not obtained any other expert opinion.

CHANGES IN DIRECTORS

The changes that have taken place in the Board of Directors since April 1, 2000 are as follows:

Name of Director	Reasons for change	Date of change
Late Shri M. M. Vaish	Expired	May 28 th , 2000
Shri V. R. Utagi	Nominated	June 27 th , 2000
Smt K. J. Udeshi	Term Completed	July 23 rd , 2000
Shri A. V. Sardesai	Nominated	July 24 th , 2000
Shri S. C. Basu	Appointed	September 25 th , 2000
Shri A. K. S. Rao	Appointed	December 21 st , 2000
Shri A. V. Sardesai	Term Completed	May 31 st , 2001
Shri D. P. S. Rathore	Nominated	June 1 st , 2001
Shri S. S. Desai	Nominated	November 5 th , 2001
Shri A. K. Pandit	Nominated	November 5 th , 2001
Shri Sunil K. Vashisht	Nominated	November 12 th , 2001
Prof. G. D. Sharma	Nominated	November 26 th , 2001
Dr. B. M. Bhandary	Nominated	November 26 th , 2001
Shri Gyan Prakash	Nominated	December 5 th , 2001
Shri Yogesh Chandra	Term Completed	March 19 th , 2002

Shri Tarun Das	Nominated	March 20 th , 2002
Shri K. S. Oberoi	Nominated	May 10 th , 2002
Shri P. N. Deshpande	Nominated	October 31 st , 2002
Shri A. K. S. Rao	Retired	February 28 th , 2003
Shri D. P. S. Rathore	Term Completed	May 7 th , 2003
Mrs. P. Kumar	Nominated	May 8 th , 2003
Shri V. R. Utagi	Term Completed	June 26 th , 2003
Shri A. V. Dugade	Appointed	July 25 th , 2003

CHANGES IN AUDITORS

Given below are the changes in the Bank's Auditors during the past three years. Since the RBI appoints Auditors each year, these changes have been effected as per RBI's approval.

Year	Name	Status	Reasons
31.3.2000	M/S Prakash & Santhosh	Retired	Completed the term
31.3.2000	M/S Manubhai & Co	Retired	Completed the term
31.3.2000	M/S Shah Gupta & Co	Retired	Completed the term
31.3.2000	M/S Nripendra & Co	Appointed	Appointed by RBI
31.3.2000	M/S Neeth & Co	Appointed	Appointed by RBI
31.3.2000	M/S B V Rao & Co	Appointed	Appointed by RBI
31.3.2000	M/S S R Goyal & Co	Appointed	Appointed by RBI
31.3.2001	M/S Neet & Co	Retired	Completed the term
31.3.2001	M/S B V Rao & Co	Retired	Completed the term
31.3.2001	M/S Sridhar & Santhanam	Appointed	Appointed by RBI
31.3.2001	M/S N Kumar Chhabra & Co	Appointed	Appointed by RBI
31.3.2002	M/S Nripendra & Co	Retired	Completed the term
31.3.2002	M/S N Chaudhuri & Co	Retired	Completed the term
31.3.2002	M/S Gutgutia & Co	Appointed	Appointed by RBI
31.3.2002	M/S Korke & Raval (later name of firm changed to M/s. JCR & Co)	Appointed	Appointed by RBI



The allotment shall be on proportionate basis under the reservation for employee's category as well as under the net public offer category, subject to allotment of Shares in lot size of 100 shares, and the basis of allotment would be arrived at as explained below:

1. Applicants will be categorised according to the number of shares applied for.
2. The total number of shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category x number of shares applied for) multiplied by the inverse of the oversubscription ratio.
3. Number of shares to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.
4. In all the applications where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
 - a. Each successful applicant shall be allotted a minimum of 100 shares.
 - b. The successful applicant out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per 2 above.
5. If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. All applicants in such categories would be allotted shares arrived at after such rounding off.
6. If the shares allocated on a proportionate basis to any category are more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of shares.

7. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those retail individual investors who have applied for shares for a value of Rs. 50,000 or less. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. The balance of the net Issue to the Indian public shall be made available for allotment to investors, including Corporate Bodies, Institutions and individual applicants who apply for shares for a value of more than Rs. 50,000. The unsubscribed portion of the net Issue to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.

In the event of oversubscription, in the process of rounding off to ensure allotment in lot size of 100 shares, the Bank will make adjustments in the basis of allotment as may be necessary in consultation with the Designated Stock Exchange, such that the Issue size does not exceed 110% of net offer to the public.

The Designated Stock Exchange reserves the right to modify the above stated Basis of Allotment within the overall conformity to the extant regulations in this regard.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at the rate of 15% per annum on the excess application money, after adjusting the amount due on allotment will be made to the applicants, if the refund orders are not despatched within 30 days from the date of closure of the subscription list as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter No. F-8/6/SE/79 dated 21st July 1983 and as amended vide their letter F/14/SE/85 dated 27th September 1985 addressed to the Stock Exchanges and as further modified by SEBI's circular SMD/RCG/33/1819/96 dated 15th May 1996.

SHARE CERTIFICATES

Share Certificates will be issued in market lots of 100 shares of Face Value of Rs. 10 each and despatched through Registered / Speed Post within 10 weeks from the closure of the issue. Investors who opt for shares in electronic mode will be intimated regarding allotment of shares and their respective accounts with their Depository Participants (DPs) will be credited.



ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE

SBI CAPITAL MARKETS LTD.

202, Maker Tower 'E', Cuffe Parade
Mumbai – 400 005
Tel: (022) 2218 9166, Fax: (022) 2218 8332
Email: bom.ipo@sbicaps.com

KOTAK MAHINDRA CAPITAL COMPANY LIMITED

Bakhtawar, 3rd Floor, 229, Nariman Point,
Mumbai – 400 021
Tel: (022) 5634 1100 Fax: (022) 2282 6632
Email: bom.ipo@kotak.com

ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED

801, Dalalal Towers, Nariman Point,
Mumbai – 400 021
Tel: (022) 5638 1874/1962 Fax: (022) 2284 6824
Email: bomipo@enam.com

A. K. CAPITAL SERVICES LIMITED

135& 136, Free Press House, 13th Floor
Free Press Journal Marg,
215, Nariman Point,
Mumbai 400 021
Tel: (022) 5634 9300, Fax: (022) 5636 0977
Email: akcap@bom9.vsnl.net.in

ALLIANZ SECURITIES LIMITED

2nd floor, 3, Scindia House,
Janpath, New Delhi – 110 001
Tel: (011) 5151 4666 - 669,
Fax: (011) 5151 4665
Email: ipo@aslfinancial.com

CO-MANAGERS TO THE ISSUE

KARVY INVESTOR SERVICES LTD.

'Karvy House', 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad
Tel: (040) 2331 2454
Fax: (040) 2331 1968

REGISTRAR TO THE ISSUE

MCS LIMITED

Sri Padmavathi Bhavan, Plot No. 93,
Road No. 16, MIDC, Andheri (East)
Mumbai – 400 093
Tel: (022) 2820 1785; Fax: (022) 2820 1783
Email: mcsmum@vsnl.com

LEGAL ADVISOR TO THE ISSUE

LITTLE & CO.

Central Bank Building, Mahatma Gandhi Road,
Mumbai – 400 023.
Tel: (022) 2265 2739, Fax: (022) 2265 9918

AUDITORS TO THE ISSUE

M/s Sridhar & Santhanam

98A, 4th Floor,
Dr. Radhakrishnan Salai,
Mylapore,
Chennai. 600 004

M/s JCR & Co.

Raval House,
18th Road, Khar (West)
Mumbai 400 052

M/s M. Mittal & Aggarwal

F-9/9, Model Town,
Near Lake,
New Delhi. 110 009

BANKERS TO THE ISSUE

Bank of Maharashtra

Head Office, Lokmangal,
1501, Shivajinagar,
Pune – 411 005

BROKERS TO THE ISSUE

All Brokers who are members of recognised Stock Exchanges
can act as Brokers to the Issue.

M/s N. Kumar Chhabra & Co.

SCO 1094-1095,
Sector 22-B,
Chandigarh. 160 022

M/s Jodh Joshi & Co.

1st Floor, J. P. House,
Ravinagar Square,
Amravati Road,
Nagpur. 440 010

M/s Jagdish Chand & Co.

H-20, Green Park (Main)
New Delhi. 110 116



B. FINANCIAL INFORMATION

AUDITORS' REPORT

The Board of Directors
Bank of Maharashtra
Central Office, Lokmangal,
1501, Shivaji Nagar
Pune – 411 005

Dear Sirs,

In terms of our appointment for the purpose of certification of the statement of accounts to be incorporated in the offer document proposed to be issued by the Bank in connection with the Initial Public Offer of Equity Shares, we state as under:

- (1) We have examined the Audited accounts of the Bank for the five financial years ended on 31st March 2003 being the last date up to which the accounts of the Bank have been made up and audited by the Auditors of the Bank of those respective years.
- (2) In accordance with the requirements of Securities & Exchange Board of India (Disclosure and Investors Protection) Guidelines, 2000, we report as under:
 - (a) The Profit & Loss statements of Bank of Maharashtra for each of the five financial years ended on 31st March 2003 are as set out in part I enclosed.
 - (b) The Assets and Liabilities of Bank of Maharashtra for each of the five financial years ended on 31st March 2003 are as set out in Part II enclosed.
 - (c) The aforesaid statements of Profit & Loss and Assets & Liabilities:
 - (i) read together with Significant Accounting Policies and Significant Changes in Accounting Policies as set out in Part III, Material Notes on Accounts and Notes on Adjustment as set out in part IV and subject to Auditors' qualifications for which no adjustment could be carried out, as set out in part V, have been drawn up after giving effect to adjustments and regrouping as and where, in our opinion, considered appropriate and
 - (ii) have been prepared by the Bank from the accounts made in accordance with the guidelines issued by Reserve Bank of India from time to time and subject to the limitations of disclosures required under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970.

We further report that based on our examination as aforesaid, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with the accounting standards, other recognized accounting policies, practices and the relevant prudential norms issued by RBI in respect of Income recognition, Asset Classification, provisioning and other related matters.

- (3) The statements of Profit & Loss, Assets and Liabilities of The Maharashtra Executor & Trustee Company Ltd. (METCO), the only subsidiary company of the bank, reported upon by the Auditors of the said company, for each of the five financial years ended on 31st March 2003 read together with their Audit Report, Notes on Accounts and the Significant accounting Policies are as set out in Part VI.



(4) We further report that in respect of the five financial years ended on 31st March 2003, the amount of dividend transferred to Government of India by Bank of Maharashtra and the dividend declared by the subsidiary company (as certified by the auditors of the subsidiary company) and other financial information required to be given as per SEBI Guidelines are given in part VII.

For **M/s Sridhar & Santhanam**
Chartered Accountants

(S. Ramkrishnan)
Partner

For **M/s JCR & Co.**
Chartered Accountants

(Prasad Petare)
Partner

For **M/s M Mittal & Aggarwal**
Chartered Accountants

(Satish Chander)
Partner

For **M/s N.Kumar Chhabra & Co**
Chartered Accountants

(N.K. Chhabra)
Partner

For **M/s Jodh Joshi & Co.**
Chartered Accountants

(Venkatesh Chari)
Partner

For **M/s Jagdish Chand & Co.**
Chartered Accountants

(J C Gupta)
Partner

Place : Chandigarh.

Date : November 29th, 2003.



PART I

STATEMENT OF PROFIT & LOSS ACCOUNT

A Income:

(For the year ended on 31st March)

(Rs. in crore)

Particulars	1999	2000	2001	2002	2003
Interest/Discount on advances/bills	480.25	589.28	702.91	834.63	886.06
Income on Investments	604.28	823.90	935.91	1099.32	1137.24
Interest on balances with RBI, and other banks	46.14	51.00	56.83	57.64	48.01
Interest on Income Tax	0.27	—	6.94	1.93	—
Others	2.95	3.09	3.29	4.56	10.37
Total Interest earned (i)	1133.89	1467.27	1705.88	1998.08	2081.68
Commission, Exchange and Brokerage	76.69	89.26	96.28	99.13	96.87
Profit on sale of Investments (Net)	12.01	62.37	81.10	167.00	215.94
Profit on sale of land/buildings and other assets (Net)	0.05	0.09	0.06	0.68	-.03
Profit on exchange transactions	16.03	14.37	23.12	11.67	23.94
Income earned by way of dividend etc. from Subsidiary Companies and/or Joint Ventures abroad/India	—	—	—	—	—
Recovery in written off accounts	9.70	14.62	17.78	24.64	19.43
Misc. Income	2.96	3.85	4.05	4.38	4.32
Total Other Income (ii)	117.44	184.56	222.39	307.50	360.47
A) Total Income (i + ii)	1251.33	1651.83	1928.27	2305.58	2442.15

B. Expenditure

Items	1999	2000	2001	2002	2003
Interest on deposits	712.51	954.62	1094.70	1350.78	1334.61
Interest on RBI/Borrowings	3.66	12.26	10.50	6.21	7.66
Others	17.23	33.27	42.37	54.31	63.10
Total Interest expenses (iii)	733.40	1000.15	1147.57	1411.30	1405.37
Payment to & provision for employees and wages	262.84	289.61	343.25	301.25	318.30
Amortization of VRS expenses	—	—	80.45	34.44	36.13
Rent, Taxes lighting	21.34	25.11	29.91	32.30	37.26
Insurance	5.06	7.06	7.89	10.32	10.94
Printing & Stationery	4.17	5.71	5.51	5.52	7.04
Advertisement	0.84	1.52	1.48	2.05	2.84
Postage, telegrams, telephones, etc	4.92	5.42	6.01	6.97	7.35
Repairs & Maintenance	3.99	5.03	5.30	6.57	7.63
Law Charges	0.93	1.00	1.05	1.24	1.92
Director's Fees/allowances and expenses	0.19	0.11	0.05	0.15	0.65
Auditor's fees and expenses	1.96	2.53	4.02	4.79	4.54
Other expenses	18.16	24.39	27.65	31.31	39.16
Depreciation on bank properties	9.75	17.35	28.15	42.33	42.44
Total Operative expenses (iv)	334.15	384.84	540.72	479.24	516.20
B) Total expenses (iii + iv)	1067.55	1384.99	1688.29	1890.54	1921.57



(For the year ended on 31st March)

(Rs. in crore)

Particulars	1999	2000	2001	2002	2003
Gross Profit before provision for taxes, other provisions & contingencies & extraordinary items (A-B)	183.78	266.84	239.98	415.04	520.58
Extraordinary items	—	—	—	—	—
C) Gross profit before provisions for Taxes, other provisions & contingencies	183.78	266.84	239.98	415.04	520.58
D) Provision & Contingencies					
Provision made for NPAs (Net of credit items)	88.79	74.09	104.23	138.04	161.97
Provision made for Standard Advances	—	12.30	3.25	3.95	3.50
Provision for Income Tax Current (Net of credit items)	14.68	62.57	38.00	94.00	137.03
Provision for Deferred Tax Assets	(4.68)	(4.63)	(1.28)	(10.86)	(25.12)
Provision for Staff Welfare Fund	1.69	1.56	2.70	1.36	4.36
Provision for Investments (Net of credit items)	—	3.44	25.42	—	5.10
Provision for transition to 90 days norm	—	—	—	10.00	35.00
Provision for unspecified liabilities	4.00	—	—	—	—
Others (net of credit items)	(-) 5.59	1.07	21.19	22.28	(23.28)
Total Provisions and Contingencies (D)	98.89	150.40	193.51	258.77	298.56
E) Net Profit (C-D)	84.89	116.44	46.47	156.27	222.02
F) Profit and Loss brought forward	(-) 342.78	—	—	—	—
G) Adjusted against capital	418.18	—	—	—	—
H) Profit available for appropriation (E + F)	160.29	116.44	46.47	156.27	222.02
Appropriations					
Transfer to Statutory Reserve	10.40	22.53	11.30	36.35	55.50
Transfer to Revenue Reserve	139.50	71.91	25.21	74.45	3.32
Transfer to Govt. as Dividend	10.38	18.03	9.04	29.00	45.00
Tax on Dividend	—	3.97	0.92	-	5.62
Transfer to Investment Fluctuation Reserve	—	—	—	16.00	111.10
Transfer to Capital Reserve	—	—	—	0.47	1.47
Balance carried over to Balance Sheet	—	—	—	—	0.01
Transfer to Capital	0.01	—	—	—	—
Total	160.29	116.44	46.47	156.27	222.02



PART II

STATEMENT OF ASSETS & LIABILITIES

(Rs. in crore)

As on		31.3.1999	31.3.2000	31.3.2001	31.3.2002	31.3.2003
A	Assets					
1	Cash on Hand	132.38	134.73	154.43	164.73	172.03
2	Balance with RBI	1429.04	1136.38	1694.93	1473.55	1753.68
3	Balance with Banks					
	In India	108.70	122.30	339.02	316.90	469.62
	Outside India	152.26	265.38	317.64	147.22	142.01
4	Money at Call & Short Notice	—	—	20.08	—	—
5	Investments					
	In India	5686.65	7479.74	8840.87	9909.19	11801.53
	Outside India	—	—	—	—	—
6	Advances					
	In India	4061.84	5252.21	6672.53	8255.12	9508.14
	Outside India					
7	Fixed Assets					
	Gross Block	174.28	205.45	246.81	318.61	357.44
	Less: Depreciation	81.07	99.31	126.87	161.87	202.03
	Net Block	93.21	106.14	119.94	156.74	155.41
	Less: Revaluation Reserve	39.33	37.40	35.55	33.80	32.14
	Net block after adjustment of revaluation reserve	53.88	68.74	84.39	122.94	123.27
8	Other Assets	651.03	864.50	1016.41	1193.84	920.76
	Total A	12275.78	15323.98	19140.30	21583.49	24891.04
B	Liabilities					
1	Demand Deposits					
	from Banks	18.75	21.45	24.84	26.62	33.30
	from Others	1433.39	1523.88	1741.18	1915.58	1879.45
2	Savings Deposits	3121.06	3596.67	4058.84	4644.68	5276.81
3	Term Deposits					
	from Banks	149.92	150.88	212.81	280.53	471.10
	from Others	6205.41	8113.66	10986.89	12263.23	14515.09
4	Borrowings					
	In India	94.40	242.01	149.09	333.99	303.87
	(\$) Outside India	41.80	153.92	192.61	68.77	10.95
5	Other Liabilities & Provisions	663.72	709.75	875.66	919.33	1032.34
6	Subordinated Debts	0.00	170.00	220.00	320.00	420.00
	Total B	11728.45	14682.22	18461.92	20772.73	23942.91



(Rs. in crore)

As on		31.3.1999	31.3.2000	31.3.2001	31.3.2002	31.3.2003
C	Net Assets (A –B)	547.33	641.76	678.38	810.76	948.13
D	Share Capital	330.52	330.52	330.52	330.52	330.52
E	Reserves & Surplus					
	Statutory Reserves	24.15	46.68	57.98	95.61	151.11
	Capital Reserves (Investment)					
	Capital Reserves (Others)	0.33	0.33	0.44	0.91	2.38
	Revenue & Other Reserves	139.50	211.41	236.62	311.07	280.36
	Investment Fluctuation Reserves	52.83	52.82	52.82	72.65	183.75
	Balance of Profit					.01
	Total E	216.81	311.24	347.86	480.24	617.61
F	Total (D+E)	547.33	641.76	678.38	810.76	948.13
G	Contingent Liabilities					
	(i) Claims against the bank not acknowledged as debts	48.83	53.25	41.39	46.50	89.75
	(ii) Liability for partly paid investments	3.75		3.00		
	(iii) Liabilities on account of outstanding forward exchange contracts	3141.90	4237.42	5884.10	5543.57	5362.77
	(iv) Guarantees given on behalf of constituents	812.06	1073.32	1064.50	1145.74	1221.75
	(v) Acceptances, Endorsements and other obligations.	238.79	400.46	293.85	373.88	242.59
	(vi) Other items for which Bank is contingently liable	63.61	65.85	77.00	25.99	62.65
	Total G	4308.94	5830.30	7363.84	7135.68	6979.51
	Bills For Collection	570.72	653.21	723.99	809.83	697.48

(\$) Book credit balances in NOSTRO accounts.



Details of adjustments:

(Rs. in crore)

Year ended March 31st	1999	2000	2001	2002	2003
Expenditure					
Operating expenses					
Staff expenses – Provision for pension (See Note 1)	(-) 20.40	(-) 20.40	—	—	—
Staff expenses – Provision for arrears (See Note 2)	(-) 18.60	(-) 14.84	—	—	—
Total expenses	(-) 39.00	(-) 35.24	—	—	—
Gross profit before taxes and other provisions	39.00	35.24	—	—	—
Less: Provisions & contingencies					
Provision for Income tax	10.68	13.57	—	—	—
Provision of Deferred Tax Assets	4.68	4.63	1.28	10.86	—
Profit available for appropriation	33.00	26.30	1.28	10.86	—
Add: Profit Carried forward	75.40	108.40	134.70	135.98	—
Total	108.40	134.70	135.98	146.84	—
Less: Adjustment of deferred tax assets	—	—	—	146.84	—
Balance carried over to balance sheet	108.40	134.70	135.98	—	—
Total	108.40	134.70	135.98	146.84	—

Increase/ (Decrease) in Assets/ Liabilities

(Rs. in crore)

Nature of adjustments	1999	2000	2001	2002	2003
Assets					
Other Assets	130.07	134.70	135.98	146.84	—
Increase/ (Decrease) in assets	130.07	134.70	135.98	146.84	—
Liabilities					
Reserves & Surplus	108.40	134.70	135.98	146.84	—
Other Liabilities	21.67	—	—	—	—
Increase/ (Decrease) in liabilities	130.07	134.70	135.98	146.84	—

Notes on adjustments:

- 1) The Bank was providing for liability of pension as per actuarial valuation with effect from 1.4.96. The liability of Rs. 102 crores up to March 31st, 1996 as per actuarial valuation was fully provided in five yearly instalments of Rs. 20.40 crores each up to March 31st, 2000. This being a non-recurring item relating to the period prior to 1.4.96, this has been deducted from expenditure in 1998, 1999 & 2000.
- 2) Pending finalization of apportionment of non-terminal wage arrears, the liability for wage revision was provided in 1998-99 and 1999-2000 on estimation basis. This has been adjusted in the year 1997-98 to which this relates.
- 3) The Bank follows the practice of apportioning 25% of net profit (20% for March 31st, 1999) towards statutory reserve and the remaining amount to Revenue Reserves.



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- 4) The revaluation reserve is reduced from reserves & surplus and also from fixed assets.
 - 5) As permitted by the RBI, part of the VRS expenses is amortized over a period of 5 years, for which no adjustment has been made. The unamortized amount of VRS expenditure on March 31st, 2003 is Rs. 72.26 crores.
 - 6) During the five years ended on March 31st, 2002, RBI has issued various guidelines on income recognition, asset classification and provisioning in respect of Non-Performing Assets and valuation of / Depreciation on investments and other matters. The Bank has carried out necessary amendments prospectively in its accounting policies in the relevant years to be in conformity with the said RBI guidelines. Adjustments to profits, assets and liabilities in this regard for the past years have not been carried out, as it is not practicable.
 - 7) Taxation in the above statement has been re-computed (wherever necessary) on the adjusted profits on the basis of the rates applicable in the respective years.
 - 8) No adjustment has been made in the books of the Bank in respect of the profits of the subsidiary company concerning the members of the Bank.
 - 9) As regards provisions, for Leave Encashment, the Bank was providing the same on payment basis up to 2001-02. From the year 2002 – 2003, the Bank has changed the accounting policy and provided the same on the basis of actuarial valuation. No adjustment in the accounts for earlier years amounting to Rs.25.00 crores (adjusted against Revenue Reserve) is carried out, as adequate data is not available.



PART III

A. SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

1. Accounting Conventions:

- 1.1 The financial statements are prepared under the historical cost conventions except as otherwise stated and conform to the statutory provisions and practices prevailing within the Banking Industry in India.
- 1.2 Revenue and costs are accounted for on accrual basis except as otherwise stated.
- 1.3 The accounting policies with regard to Revenue Recognition, Investments and Advances are in conformity with the prudential accounting norms issued by Reserve Bank of India from time to time.

2. Foreign Exchange Transactions:

- 2.1
 - a. Balances in Nostro Accounts, Outstanding Forward Exchange Contracts and Foreign Currency Notes are translated at the Exchange Rates provided by FEDAI at the Balance Sheet date and the resultant profit/loss is accounted for in the Profit & Loss Account.
 - b. FCNR Deposits under Bank Scheme, the RFC Accounts, the Exchange Earners' Foreign Currency accounts, the deposits in foreign currency with banks abroad and advances including bills and other assets in foreign currency are also translated at the exchange rates on Balance Sheet date provided by FEDAI. The corresponding net effect on account of the above has been shown in 'Other Liabilities/Other Assets Account'.
 - c. Export bills purchased/discounted are stated in the Balance Sheet at the exchange rates prevailing on the date of transaction.
- 2.2 Income and Expenditure items in respect of Foreign Exchange transactions are converted at the exchange rates prevailing on the date of transaction.
- 2.3 Contingent Liabilities on account of Guarantees and Letters of Credit, issued in Foreign Currency are stated in the Balance Sheet at the exchange rates prevailing on the date of commitment.

3. Investments:

As per Reserve Bank of India guidelines, the investments are classified and valued as under:

- i. Investments in SLR and non-SLR securities (Shares, Debentures, Bonds etc.) are classified in following categories:
 - a. Held to maturity
 - b. Available for sale
 - c. Held for trading
- ii. All the securities are classified in the following 6 baskets:
 - a. Government Securities
 - b. Other approved securities
 - c. Shares
 - d. Debentures and bonds
 - e. Subsidiaries and Joint Ventures
 - f. Others (CP, Mutual Fund Units etc).
- iii. Valuation of investments:
 - a) **Held to Maturity:**
 - (i) Securities Held to Maturity are valued at cost. The excess of acquisition cost, if any, over the face value is amortized over the remaining period of maturity.



- (ii) In respect of US64 of UTI, excess book value over face value of investment is amortized in 2 years commencing from 31st March 2002 as per RBI guidelines.
- (iii) In case of other investments under "Held to Maturity" category, where the cost price is less than the face value, the difference is ignored. In case of investments in subsidiaries and joint ventures diminution in value is recognized and provided for. Investment in RRBs is valued at carrying cost.
- (iv) Profit on sale of investment in this category is first taken to Profit and loss account and thereafter appropriated to the 'Capital Reserve account'. Loss on sale is recognized in the profit and loss account.

b) Available for Sale:

The individual securities under this category are marked to market. Central Government securities are valued at market rates declared by Fixed Income Money Market and Derivatives Association of India [FIMMDA]. State Government securities, other approved securities, Debentures and Bonds are valued as per the yield curve, average credit spread rating and methodology suggested by FIMMDA. Quoted Shares are valued at market rates. Unquoted shares are valued at book value ascertained from the latest available balance Sheet and in case the latest Balance Sheet is not available, the same is valued at Re.1/- per company.

Treasury bills and commercial papers are valued at carrying cost. Mutual Fund Instruments are valued at market rate or repurchase price or net asset value in that order depending on their availability. Based on the above valuation under each sub-category of 'Available for Sale':

- (i) if the figure results in appreciation, the same is ignored.
- (ii) if the figure results in depreciation, the same is charged to Profit & Loss account. An equivalent amount (net of tax benefit and net of consequent reduction in the transfer to Statutory Reserve) or the balance available in the Investment Fluctuation Reserve Account, whichever is less, is transferred from the Investment Fluctuation Reserve Account to the Profit & Loss Account.
- (iii) Profit or Loss on sale of investment in this category is accounted for in the Profit and loss account.

(c) Held for Trading:

- i) The individual scrips under this category are held at original cost. The same is valued at monthly intervals at market rates or as per the prices declared by FIMMDA and in respect of each classification under this category, net depreciation if any, is charged to revenue and net appreciation, if any is ignored.
- ii) Profit or loss on sale of investment in this category is accounted for in the Profit and Loss account.
- iii) The non-performing investments are identified and depreciation/ provision is made as per RBI guidelines.
- iv) Costs such as brokerage, fees etc. incurred at the time of acquisition of securities are recognized as expenses.

4. Advances:

- 4.1 Advances shown in the Balance Sheet are net of write offs, provisions made for non-performing assets, claims settled with the credit guarantee institutions and rediscounts.
- 4.2 Classification of advances and provisions are made in accordance with the prudential norms prescribed by Reserve Bank of India from time to time.

5. Fixed Assets and Depreciation:

- 5.1 Premises and other Fixed Assets are accounted for at cost except certain premises, which are revalued and stated at revalued amount.
- 5.2 A) Depreciation is provided for on the diminishing balance method at the rates specified in schedule XIV to the Companies Act, 1956 on fixed assets except for computers.
- B) On computers, depreciation is provided at the rate of 33.33% on Straight Line Method so as to write down the asset value in three years to Rupee one as per Reserve Bank of India guidelines. Computers include software and UPS also.



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- 5.3 Depreciation is provided for full year irrespective of date of additions. No depreciation is provided on assets sold/ discarded during the year.
- 5.4 Depreciation relating to revaluation is adjusted against the Revaluation Reserve.
- 5.5 Leasehold land is amortized over the period of lease.
6. Accounting basis for Revenue / Cost:
- i) All revenues are accounted for on accrual basis except the following items, which are accounted for on cash basis.
 - a. Interest on Advances and Investments identified as Non-Performing Assets according to the prudential norms issued by Reserve Bank of India, from time to time.
 - b. Income from Merchant Banking Operations and Underwriting Commission.
 - c. Overdue Locker Rent.
 - d. Interest for overdue period on bills purchased and bills discounted.
 - e. Insurance claims.
 - f. Interest on income tax refund.
 - g. Remuneration on Debenture Trustee Business
 - ii) All costs are accounted for on accrual basis except the following item: Interest payable on overdue deposits is recognized at the time of renewal thereof.
7. Staff Retirement Benefits:
- 7.1 Provision for Gratuity, Pension and leave encashment is based on actuarial valuation.
- 7.2 As per Reserve Bank of India guidelines, the expenditure incurred on account of VRS 2000 is amortized (other than Leave encashment) over a period of 5 years after taking into consideration the tax savings where applicable.
8. Net Profit, Provisions and Contingencies:
- The Net Profit disclosed is after making the Provisions and Contingencies which include adjustment to the value of investments, write off of bad debts, provision for taxation (including deferred taxation), provision for advances and contingencies/others.
9. Income tax:
- The provision for tax for the year comprises current tax liability and the deferred tax, which recognizes, subject to the consideration of prudence, timing differences between taxable income and accounting income, in terms of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

B. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES BETWEEN 1.4.98 TO 31.3.2003.

1. RBI had issued various guidelines during the period 1.4.98 to 31.3.2003 on income recognition, asset classification, and provisioning, valuation/ depreciation on investments, depreciation on computers, etc. The Bank has accordingly changed the accounting policies for the relevant years to be in conformity with the said RBI guidelines.
2. Certain expenses related to VRS were amortized over a period of 5 years as permitted by the RBI, during 2002-2003.
3. Deferred Tax: The provision for tax for the year comprise current tax liability and the deferred tax, which recognizes, subject to the consideration of prudence, timing differences between taxable income and accounting income, in terms of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.
4. Provision for Leave Encashment is based on Actuarial Valuation.



PART IV

MATERIAL NOTES ON ACCOUNTS

1. Balancing in subsidiary ledgers in respect of certain accounts like deposits, advances, suspense, clearing differences, other assets/ liabilities etc with General Ledger is incomplete in few branches / offices and the same is in progress. Also in respect of inter branch accounts; entries in reconciliation after 1st October 2002 are pending to be passed.

2. Consequential impact of the above, on the accounts is not ascertainable.

3. Investments:

(a) The Bank has classified the investment portfolio into three categories i.e. "Held to Maturity", "Available for Sale" and "Held for Trading" and valued the investments in terms of the Reserve Bank of India guidelines.

(b) Securities under 'Held for Trading' are valued in the current year as mentioned under Para 3 (iii) (c) of the Accounting Policy as per the revised guidelines of Reserve Bank of India applicable from 11 July 2002 vide circular of even date. As per earlier guidelines, the book value of securities used to change as & when there was depreciation in marking the securities to market at periodical intervals, whereas as per revised guidelines, the book value would not undergo any change in such case. However, this does not have any impact on the profit for the year.

(c) The Bank is holding equity-based investments (Gross) as under:

		(Rs. in crore)	
	Particulars	For 2002-03	For 2001-02
i	In equity shares	44.56	43.38
ii	In convertible bonds and debentures	—	—
iii	In Units of equity-oriented mutual funds	62.10	74.25

(d) Provision for depreciation on Investments

		(Rs. in crore)	
	Particulars	FY 2002-03	FY 2001-02
	Opening Balance	25.72	33.65
	Add: Provision made during the year	5.10	—
	Less: Write back of excess provisions During the year	5.43	7.93
	Closing Balance	25.39	25.72

(e) During the year, the Bank has restructured SLR/ Non SLR investments (along with accrued interest) of Rs 98.20 Crore in IFCI as per decisions of the stakeholders of IFCI taken in meetings held at the behest of Government Of India.

In case of SLR investments, principal overdue as on 01-04-2002 has been rolled over for a further period of 10 years at interest rate prevailing for G-Sec of similar maturity. Principal falling due after 01-04-2002 will be rolled over for a further period of 10 years from their respective date of maturity at the interest rate prevailing for G-Sec of similar maturity at that time.

In case of Non-SLR investments, 50% of the principal and overdue interest as on 01-04-2002 has been rolled over into Zero Coupon Optionally Convertible Debentures payable after 20 years w.e.f. 01-04-2002, the remaining 50% has been rolled over for 10 years at an interest rate of 6% w.e.f 01-04-2002.

The investment in Preference Shares has been rolled over for 20 years at 0.10% coupon rate.

All the restructured securities in IFCI have been classified / shifted to 'Held to Maturity' category as per RBI guidelines. RBI has also approved that such shifting will not attract any provisioning. This has no impact on the profit for the year.

(f) During the year, the Bank has maintained a sum of Rs. 183.75 Crore (Previous Year Rs.72.65 crore) in Investment Fluctuation Reserve as per RBI guidelines, which is equal to 2% of Available For Sale and Held for Trading portfolios of investments.



- (g) As per RBI guidelines, an amount of Rs 1.47 Crores being profit on sale of investment in 'Held to Maturity' category is transferred to Capital Reserve.
4. The Capital is fully owned by the Government of India.
 5. In respect of few premises having gross value of Rs 3.66 Crore (previous year Rs 3.63 Crore), pending completion of certain legal formalities, title deeds are yet to be executed/ registered in favour of the Bank.
 6. The percentage of Net Non performing Advances (NPAs) to Net advances is 4.82% as against 5.81% during 2001-02.
 7. The Capital Adequacy Ratio has been calculated in terms of the guidelines issued by RBI & the Ratio as at 31st March 2003 is 12.05% (11.16% for the year ended 31st March 2002)

The bifurcation of Capital Adequacy Ratio is as under:

	Particulars	For 2002-03	For 2001-02
i.	Capital Adequacy Ratio Tier I Capital	6.16%	6.56%
ii.	Capital Adequacy Ratio Tier II Capital	5.89%	4.60%
iii.	Capital Adequacy Ratio Tier I + II	12.05%	11.16%

Note: The additional provision of Rs 45 Crore (including previous year Rs 10 Crore) made towards 90 days norms (Note 11) has been considered for Tier II Capital.

The following ratios have been calculated in terms of the guidelines issued by RBI. The data as compiled by the Management is relied upon by the auditors.

	Particulars	For 2002-03	For 2001-02
1	Interest income as percentage to average working funds	9.26%	9.90%
2	Non-interest income as percentage to average working funds	1.60%	1.52%
3	*Operating Profit as percentage to average working funds	2.32%	2.06%
4	Return on Assets i.e. percentage of net profit to assets	0.89%	0.68%
5	Business (Deposits excluding inter bank deposits plus advances) per employee	221.96 lakh	191.44 lakh
6	Profit per employee i.e. net profit per employee	1.58 lakh	1.02 lakh

* Operating profit is net profit for the year plus provisions & contingencies.

8. During the year 2002-2003, the Bank raised Tier II capital of Rs.100 crore by issue of subordinated debt bonds (Previous year Rs 100 crore).



9. The maturity pattern of Assets & Liabilities of the Bank as on 31.03.2003 is as under:

Sr. No.	Maturity Pattern	Assets		Liabilities		Foreign Currency Assets	Foreign Currency Liabilities
		Loans & Advances (Net)	Investments (Gross)	Deposits	Borrowings		
1	1 to 14 days	1023.81	123.40	692.42	0.18	376.86	262.94
2	15 to 28 days	476.49	7.97	203.73	0.00	174.20	22.92
3	29 days to 3 months	820.08	142.34	393.90	0.79	1404.07	880.17
4	Over 3 months to 6 months	477.30	49.55	523.64	32.90	794.18	728.69
5	Over 6 months to 12 months	530.32	155.67	1177.76	41.54	622.21	569.91
6	Over 1 year to 3 years	4875.25	1290.96	8016.95	137.81	10.92	41.03
7	Over 3 years to 5 years	821.38	2307.87	4061.39	58.20	0.00	0.19
8	Over 5 years	483.51	7749.16	7105.96	32.45	0.00	0.00
	Total	9508.14	11826.92	22175.75	303.87	3382.44	2505.85

The Bank has liquid funds in the shape of excess SLR securities to meet any eventualities in any time buckets.

10. A. Movement of NPAs during the year was as under:

Particulars	(Rs. in crore)	
	31.03.2003	31.3.2002
A. Movement in Gross NPAs		
Gross NPAs at the beginning of the year	906.42	876.63
Less: Reduction in NPAs due to recovery, upgradation and write off	216.33	212.09
Sub-Total	690.09	664.54
Add: Fresh NPAs added during the year	267.45	241.88
Gross NPAs at the end of the year	957.54	906.42
B. Movement in net NPAs		
Gross NPAs	957.54	906.42
Less: Provisions	465.95	396.31
Less: DICGC / ECGC settled amount	32.45	30.40
Net NPAs at the end of the year	459.14	479.71

10. B Disclosure of movement of provisions (excluding provisions on Standard Assets)

(Rs. in crore)	
Opening Balance as on 1 st April 2002	396.31
Add: Provisions made during the year	161.97
Less: Write off, write back of excess provisions	92.33
Closing Balance as at 31 st March 2003	465.95



11. RBI has advised the Banks to chalk out an appropriate transition path for smoothly moving over to 90 days payment delinquency norm for recognition of NPAs, which is to be adopted by the banks w.e.f. 31.03.2004. Banks were to commence making additional provisions for such loans, starting from the year ending 31.03.2002. Accordingly, for smooth transition the Bank has made additional provision of Rs.35.00 crore during the year-ended 31.03.2003 (Rs 10 crore for FY 2001-02).

12. The position of lending to sensitive sector is given below:

		(Rs. in crore)	
Category		As on 31.03.2003	As on 31.03.2002
a.	Advances to capital markets sector	14.49	16.61
b.	Advances to Real Estate Sector	27.95	22.93
c.	Advances to commodities sector	125.48	201.35
Total		167.92	240.89

13. The provisions made for different purposes are as under:

		(Rs. in crore)	
Sr.	Particulars	For 2002-03	For 2001-02
i.	Provision made towards NPA	161.97	138.04
ii.	Provision made towards standard assets	3.50	3.95
iii.	Provision for Income Tax	137.03	94.00
iv.	Provision for Staff Welfare Fund	4.36	1.36
v.	Provision for investments	5.10	—
vi.	Provision for Transition towards 90 days norm	35.00	10.00
Vii	Provision for deferred tax	(25.12)	—
vi.	Others	6.11	23.16
Sub – Total		327.95	270.51
Less: Credits			
i.	Other surplus provision written back	29.39	0.88
Net Debit to Provisions & Contingencies A/c		298.56	269.63

14. The Bank has made additional provision @ 0.25% of standard advances, amounting to Rs.3.50 crore (Rs 3.95 crore) during the year as per Reserve Bank of India guidelines.

15. Loans and advances include Rs. 14.49 cores (Rs. 16.61) against the security of equity shares, convertible bonds and units of equity oriented mutual funds and Rs. 378.07 cores (Rs. 388.26 cores) exclusively against Book Debts.

16. Voluntary Retirement Scheme (VRS):

The total expenditure for VRS 2000 in the year ended 31st March 2001 was Rs.217.70 crore, out of which, an amount of Rs.109.31 crore was accounted upto 31-03-2002 and the balance amount of Rs. 108.39 crore is being amortized in three equal yearly instalments. Accordingly, an amount of Rs 36.13 crore (Rs.34.44 crore) has been charged to Profit & Loss Account during the current year.

17. Guarantees shown under Contingent Liabilities include Rs. 179.36 crore (Rs. 275.33 crore) relating to expired guarantees, which have not been cancelled pending completion of formalities.



18. Details of loans restructured:

		(Rs. in crore)	
	Particulars	2002-03	2001-02
a	Total amount of loan assets subjected to restructuring	196.35	213.47
b	The amount of standard assets subjected to restructuring etc.	178.03	164.42
c	The amount of sub-standard assets subjected to restructuring etc.	18.32	49.05

The Bank has worked out the amount of sacrifice measured in Present Value terms of interest component in respect of item (b) and (c) as per the Reserve Bank of India guidelines and necessary provision has been made.

19. Loan classification status in the case of borrowers affected by the earthquake in January 2001 in the State of Gujarat that had been frozen on an 'as-is-where-is' basis as of 31.12.2000 continue to remain as such till 31.03.2003 as per RBI guidelines.
20. As permitted by Reserve Bank of India, the Bank has provided for the provision required on advances where State Govt. guarantees have been invoked as of 31.03.2000 in four equal instalments. Consequently, the final instalment of Rs 6.36 Crore has been provided for in this year.
21. The equated monthly instalment advance accounts have been taken up for a detailed scrutiny during the year and the reconciliation of data is under progress. In the meantime an adhoc provision of Rs 15 Crore (included in provision of Rs 161.97 Crore made towards NPA in Note 13 (i) has been made in the accounts of the year towards the provisioning on the possible NPA accounts arising out of reconciliation. The reconciliation is expected to be completed in the ensuing year.
22. Accounting Standard 18 - Related Party Disclosures:
- a. The following are the key managerial Personnel of the Bank:
1. Shri. S.C. Basu, Chairman & Managing Director,
 2. Shri. A.K.S. Rao, Executive Director (Upto 28-02-2003)
- b. Gross salary including perquisites paid to the key managerial personnel.
1. Shri. S.C. Basu, Chairman & Managing Director— Rs 4.93 lakhs (Rs.4.89 lakhs for FY 2001-02)
 2. Shri. A.K.S. Rao, Executive Director—Rs 4.97 lakhs (Up to 28/2/03) (Rs 4.53 lakhs for FY 2001-02)
- c. Balance (31.03.2003) in the Staff Housing Loan sanctioned to Shri S.C. Basu, the Chairman & Managing Director - Rs 0.78 lakh (Rs. 0.97 lakh) Maximum amount due during the year: Rs 0.97 lakh

Subsidiary & Associates

The subsidiary of the Bank— The Maharashtra Executor & Trustee Co. Ltd.

The associates - Marathwada Gramin Bank, Aurangabad Jalna Gramin bank and Thane Gramin bank

Joint venture *- Magic E money Ltd.

* No joint control is exercised.

23. Certain premises were revalued during the year 1993-94 on the basis of approved valuers report. The resultant increase in the value of premises amounting to Rs. 53.28 crores was credited to Revaluation Reserve in that year.
24. The policy for accounting for Leave Encashment has been changed during the year and the total liability of Rs 28 Crore determined based on actuarial valuation as at March 31,2003 has been provided for in accounts as against the policy of accounting the same on payment basis followed hitherto. The amount of Rs 28 Crore has been treated as follows in the financial statements:
- i) The accrued liability towards leave encashment amounting to Rs 25 Crore as on 31-03-2002 has been adjusted against the Revenue Reserve and,
 - ii) The liability for the year amounting to Rs 3 Crore has been debited to the Profit & Loss Account during the year.



As a result, the profit for the year is lower by Rs 3 Crore and reserves are lower and other liabilities and provisions higher to the extent of Rs 28.00 Crore.

25. No assets have been sold during the year for Asset Reconstruction.
26. There are no interest rate derivatives.
27. The net funded exposure of the Bank in respect of foreign exchange transactions with each country are within 2% of the total assets of the Bank and hence no provision and disclosure is required to be made as per the RBI Circular DBOD. BPBC.71/21.04.103 /2002-03 dated 19-02-2003.
28. There are no loan assets restructured under Corporate Debt Restructuring (CDR).
29. The Bank has complied with Accounting Standard-22 as regards "Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India. The Bank has recognized necessary Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL). Accordingly, the Bank has accounted for the Net Deferred Tax Asset as on March 31,2002 amounting to Rs 146.84 Crore by crediting revenue reserves. The Net Deferred Tax asset of Rs 25.12 Crore pertaining to the period 2002-03 has been credited to the Profit & Loss Account for the year, Similarly Rs 9.03 Crore being Deferred Tax liability arising during the year in respect of timing difference of previous year has been debited to General Reserve Account.

In arriving at the DTL/DTA, the Bank has taken into account the following major components:

Timing Difference	Rs in crore
	31.3.2003
<u>Deferred Tax Assets:</u>	
1. On account of timing difference towards Provisions	181.38
2. Others	0.11
Total	181.49
<u>Deferred Tax Liability:</u>	
1. On account of diminution in value of security	8.04
2. On account of depreciation on fixed assets	10.51
Total	18.55

30. Segment Reporting

Part A- Business Segment

(Rs in crore)

Business Segments	Treasury Operations	Other banking operations	Residual Operations	Total
Particular	Current Year	Current Year	Current Year	Current Year
Revenue	1422.87	1019.28	Nil	2442.15
Result	296.05	266.97	Nil	563.02
Unallocated expenses				42.44
Operating profit				520.58
Provisions & contingencies	-22.29	200.11	Nil	177.82
Unallocated provisions				10.43
Net Profit before tax				332.33
Taxes including deferred taxes				110.31
Net Profit				222.02



Business Segments	Treasury Operations	Other banking operations	Residual Operations	Total
Particular	Current Year	Current Year	Current Year	Current Year
Other Information				
Segment assets	14023.45	10401.83	Nil	24425.28
Unallocated assets				497.90
Total assets				24923.18
Segment liabilities	13850.96	10159.80	Nil	24010.76
Unallocated liabilities				912.42
Total liabilities				24923.18

Part B- Geographical Segment

(Rs in crore)

	Domestic	International	Total
Revenue	2442.15	Nil	2442.15
Assets	24923.18	Nil	24923.18

Note:

- Being the first year no previous year figures have been provided.
- There are no transactions under residual operations by Bank.

31. Earnings Per Share as per AS-20:

Basic EPS: Rs 6.72 (Rs 4.40)

Diluted EPS: Not applicable

Calculation of Basic EPS:

Nominal value per share: Rs10 (Rs 10)

Weighted avg no. of equity shares: 330520 thousands (330520 thousands)

Net Profit after tax: Rs crore 222.02 (145.41)

Basic EPS Rs: 6.72 (Rs 4.40)

32. Consolidated financial statements will be submitted within the next thirty days as required by R.B.I.

33. Previous year's figures have been regrouped/reclassified wherever considered necessary to make them comparable with current year's figures.

MATERIAL NOTES ON ACCOUNTS (2001-2002)

1. Investments:

- During the year, the Bank has transferred units held in US64 of UTI from 'Held for Sale' to 'Held for Maturity' Category as per RBI guidelines and the same has been valued accordingly. Had the previous year classification / valuation been followed, the profit for the year would have been lower by Rs.24.30 crore.
- There was a write back of excess depreciation to the extent of Rs. 7.93 crore (gross) and Rs. 5.1 crore (Net of Taxes) during the year, which has been appropriated as follows as per RBI guidelines:

Statutory Reserve Rs.1.28 crores

Investment Fluctuation Reserve Rs.3.82 crores



2. Accounting Standard 17 - Segment Reporting:

The Bank has sought guidelines from Reserve Bank of India regarding compliance with AS 17 on segment reporting issued by the Institute of Chartered Accountants of India. Pending such clarification, the AS 17 has not been complied with.

MATERIAL NOTE ON ACCOUNTS (1998 - 1999):

- 1) As per approval received from the Government of India, the balance of accumulated loss as on 31.3.1998 amounting to Rs. 418.18 crores has been set off against the capital of the Bank and the capital stand reduced to Rs. 330.51 crores from the previous year figure of Rs. 748.69 crores.



PART V

CHANGES IN ACCOUNTING POLICY, ADJUSTMENT FOR PREVIOUS YEARS, AND/ OR INCORRECT ACCOUNTING POLICIES EFFECT OF WHICH HAS NOT BEEN QUANTIFIED AND FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT IN PART I & II.

For the year 2002-03

- 1) Effect on the accounts, of balancing in subsidiary ledgers in respect of certain accounts like deposits, advances, suspense, sundry suspense, clearing differences, other assets / liabilities etc. with General Ledger incomplete in few branches/offices and inter branch accounts entries under reconciliation pending to be passed, is not ascertainable.
- 2) Accounting policy in respect of translation of certain Foreign Exchange items as per Foreign Exchange Dealer's Association of India guidelines, which is not in conformity with the Accounting Standard 11 of the Institute Of Chartered Accountants Of India, the effect of which is not ascertainable.
- 3) Capital Adequacy Ratio and other ratios disclosed in the Balance Sheet are subject to the effect of other qualifications.
- 4) Effect of conversion of contingent liabilities on account of guarantees and Letter of Credit in foreign currency at the exchange rates prevailing on the date of commitment instead of rate prevailing on the closing date of Balance sheet is also not ascertainable.
- 5) Non-disclosure of income and expenditure for earlier periods as prior period item as required by AS 5 of The Institute of Chartered Accountants of India, the amount of which is not ascertainable.
- 6) Advances against book debts as shown in the note No. 15 under Notes on Accounts do not include advances allowed against composite security (including book debts). Further, Bank in compliance with Reserve Bank of India guidelines has classified them as fully secured while in our opinion and as prescribed by The Institute of Chartered Accountants Of India, such book debts, not being tangible security, should not be treated as security. Hence, advance against book debts if otherwise not secured by other security should be classified as unsecured, the amount of which is not ascertainable.

For the year 2001-2002

In addition to point no. 1 to 6 for the year 2002-03 as mentioned above, the other qualifications for which adjustments could not be carried out are as under:

- 1) Regarding recognizing income from certain activities on receipt basis, which is not in conformity with Accounting Standard 9 of the Institute of Chartered Accountants of India, the effect of which is not ascertained.
- 2) Regarding providing for leave encashment on payment basis which is not in conformity with the Accounting Standard 15 of The Institute of Chartered Accountants of India, the actuarial liability whereof has neither been ascertained nor provided for.
- 3) Regarding Equated Monthly Instalment accounts where interest remains outstanding for more than 180 days the accounts are neither shown as NPA nor provision and interest reversal have been made, the impact of which is not ascertained.
- 4) The internal control system and procedures, though improved during the year, are not commensurate with the size and nature of business of the Bank; the consequential impact of the same on accounts is not ascertainable.
- 5) Regarding pending ECGC claims outstanding amounting to Rs. 14.95 crore the realisability of which is not ascertainable and provision if any, required in respect whereof has not been made.

For the year 2000-2001

In addition to point no. 1,2,3,4 & 6 for the year 2002-03 as mentioned above, the other qualifications for which adjustments could not be carried out are as under:

- 1) Regarding non-provision of net present value of interest sacrifice, no information has been provided to verify the details of loans restructured during the year 2000-2001. Further, Reserve Bank of India guidelines have not been followed to classify such accounts as NPA wherein net present value of interest sacrifice on restructuring is not provided for. Also the provision required for NPA and interest reversal has not been made, the overall quantum of which is not ascertained.

For the year 1999-2000

Adjustment for Auditor's qualifications as mentioned in point no. 1,2 & 3 (2002-03) could not be carried out.

For the year 1998-99

Adjustment for Auditor's qualifications as mentioned in point no. 1,2 & 3 (2002-03) could not be carried out.



PART VI

KEY ACCOUNTING RATIOS

Year Ended on March, 31	1999	2000	2001	2002	2003
Earning Per Share (Rs.)	2.57	3.52	1.41	4.73	6.72
Cash Earning per share (Rs.)	5.50	6.80	6.92	11.28	13.52
Return on Net worth (%)	15.51	18.14	6.85	19.27	23.42
Net Asset Value per Share (Rs.)	16.56	19.42	20.52	24.53	28.69

Note: Face value per share is taken as Rs. 10.

Other ratios	1999	2000	2001	2002	2003
Net NPA to Net Advances (%)	8.72	6.97	7.41	5.81	4.82
Interest Income/Working Funds (%)	10.42	10.47	10.41	9.90	9.26
Non Interest Income/ Working Funds (%)	0.99	1.32	1.36	1.52	1.60
Return on assets (%)	0.69	0.76	0.24	0.72	0.89
Net Profit/ Working Funds (%)	0.78	0.82	0.28	0.77	0.99
Business Per Employee (Rs. in lakhs)	90.62	114.84	164.77	191.44	221.96
Net Profit per Employee (Rs. in lakhs)	0.52	0.72	0.33	1.10	1.58
Capital Adequacy Ratio (%)	9.76	11.66	10.64	11.16	12.05
Tier I	7.89	7.41	6.39	6.56	6.16
Tier II	1.87	4.25	4.25	4.60	5.89
Credit Deposit Ratio	37.17	39.18	39.19	43.15	42.88
Interest Spread/ Average Working Fund (%)	3.68	3.33	3.41	2.91	3.01
Gross profit (operating Profit) to Average Working Funds (%)	1.24	1.65	1.46	2.06	2.32
Return On Average Net Worth (%)	12.45	19.58	7.04	20.99	25.25
Yield on Advances (%)	11.59	11.93	11.59	11.08	10.27
Yield on Investments (%)	11.89	11.95	11.77	11.20	10.52
Cost of Deposits (%)	7.64	8.00	7.80	7.78	7.07
Cost of borrowings (%)	6.71	7.04	7.00	6.99	6.25
Operating/ Gross Profit per employee (Rs. in lakhs)	0.83	1.44	1.69	2.93	3.71
Business per branch (Rs. in lakhs)	1261.42	1546.98	1924.48	2215.92	2530.80
Operating Profit / Gross Profit per Branch (Rs. in lakhs)	11.50	19.38	19.69	33.96	42.25


DEFINITIONS OF KEY RATIOS:

Ratio	Definition
Earning per share	Net profit after adjustments/ Number of shares at the end of the year
Cash earning per share	Net profit plus depreciation plus provisions & contingencies (excluding provision for taxes & provision for staff welfare fund)/ Number of shares at the end of the year
Net Asset Value per share	Capital plus reserves after adjustments/ Number of shares at the end of the year
Return on Net worth	Net profit after adjustments/ Adjusted net worth
Average Working Funds	Monthly average Assets as per Form X
Return on assets	Net profit/ Total assets
Business per employee	Total Deposits excl bank deposits + Net Advances / Number of Employees
Interest Spread	Interest income less interest expenses / Average working funds
Operating Profit to Average working funds	Net profit plus Provisions & Contingencies/ Average working funds
Yield on advances	Interest earned on advances/ Fortnightly average advances
Yield on Investments	Interest earned on Investments/ Fortnightly average investments
Cost of Deposits	Interest expended on deposits / Fortnightly average deposits
Cost of borrowing	Interest paid/ Average working fund
Operating profit per employee	Net Profit plus provisions and contingencies / Number of employees
Business per branch	Total Deposits excl bank deposits + Net Advances / number of branches at the end of the year
Operating profit per branch	Net profit plus provisions and contingencies / number of branches at the end of the year
No. of Employees	1998-99: 16356 1999-2000: 16098 2000-01: 14238 2001-02: 14145 2002-03: 14047
Average Net Worth (Opening Networth plus Closing net worth divided by 2)	1998-99: Rs 682.02 Crore 1999-2000: Rs 594.55 Crore 2000-01: Rs 660.07 Crore 2001-02: Rs 744.57 Crore 2002-03: Rs 879.45 Crore
Average Investments, Average Advances & Average Deposits	As per Form X
No. of Branches	1998-99: 1175 1999-2000: 1195 2000-01: 1219 2001-02: 1222 2002-03: 1232



PART VII

A. CAPITALISATION STATEMENT

Capitalization Statement as at March 31,2003

(Rs. in crore)

Particulars	Pre-issue	Post issue as adjusted for the proposed issue of 10 crore shares of Rs. 10 per share at a premium of Rs 13 per share
Loan Funds		
Long Term (more than 1 year) (1)	648.64	648.64
Short Term (1year and less)	75.23	75.23
Total Debt *	723.87	723.87
Shareholders Funds		
Share Capital	330.52	430.52
Reserves & Surplus (excluding revaluation reserve)	617.61	617.61
Share Premium	—	130.00
Total Equity (2)	948.13	1178.13
Long Term Debt/ Equity Ratio (1/2)	0.68	0.55

* Represents borrowings in India and subordinated debts but do not include borrowings outside India as they only represent book credit balance in NOSTRO accounts.

PART VII

B. STATEMENT OF TAXATION

(Rs. in crore)

Year ending March 31	1999	2000	2001	2002	2003
Profit	55.89	139.14	83.19	239.41	359.02
Tax at Notional Rate @36.75%	20.54	51.14	30.58	87.99	131.93
Adjustments					
Export Profits	—	—	—	—	—
Diff. between Tax Depreciation and Book Depreciation	0.27	1.87	3.87	(1.94)	(2.66)
Other Adjustments	(37.37)	(2.44)	(21.77)	32.77	(0.53)
Net Adjustments	(37.10)	(0.57)	(17.90)	30.83	(3.19)
Tax Saving thereon	(13.64)	(0.21)	(6.58)	11.33	(1.17)
Total Taxation	6.90	50.93	24.00	99.32	130.76
Taxation on extraordinary items	—	—	—	—	—
Tax on Profits before Extraordinary Items	6.90	50.93	24.00	99.32	130.76


Tax Shelter:

Financial Year ended March 31		1999	2000	2001	2002	2003
	Tax Rate	35%	38.50%	39.55%	35.70%	36.75%
	Tax at actual rate on profit (a)	19.56	53.56	32.90	85.46	131.93
Adjustments						
Permanent Differences						
i)	Interest on Tax free bonds & Dividend	(16.30)	(8.73)	(22.06)	(1.59)	(8.10)
ii)	Amount transferred to Capital Reserve			0.11		
iii)	Other Adjustments	(33.54)	(4.45)	0.58	2.86	(10.69)
Timing Differences						
i)	Difference between dep. as per IT and as per accounts on fixed assets	0.27	1.87	3.87	(1.94)	(2.66)
ii)	Provision for Bad & Doubtful debts	8.09	8.83	13.37	34.12	55.23
iii)	Brought forward losses	—	—	—	—	—
iv)	43B	(0.20)	0.20	(0.05)	0.07	(1.08)
v)	Provision for Fraud cases	0.02	0.05	0.18	15.61	0.55
vi)	Other Adjustments	4.56	1.66	(13.90)	(18.30)	(36.44)
Net Adjustments		(37.10)	(0.57)	(17.90)	30.83	(3.19)
	Tax Saving thereon (b)	(12.98)	(0.21)	(7.07)	11.00	(1.17)
	Total Taxation As per Income Tax Return filed (a-b)	6.57	53.35	25.83	96.46	130.76

Note: The Income Tax liability for these five Financial Years has been computed as per the Income Tax returns filed before the Assessing Officer.

PART VII
C. STATEMENT OF NET WORTH (EXCLUDING REVALUATION RESERVES ON FIXED ASSETS)

(Rs. in crore)

As on 31 st March	1999	2000	2001	2002	2003
Share Capital	330.52	330.52	330.52	330.52	330.52
Free Reserves	216.81	311.24	347.86	480.24	617.60
Balance in profit & Loss A/C	0	0	0	0	0.01
Net Worth	547.33	641.76	678.38	810.76	948.13

Note: As per RBI guidelines dated 30.1.2001, allowing the banks not to deduct VRS related deferred revenue expenditure from Tier I capital, such expenses have not been deducted from the net worth of the Bank in the above statement.



Contingent Liabilities

1. The Bank has following contingent liabilities for which no provisions have been made in the books of accounts of the Bank for a period ended 31st March 2003.

		(Rs in lakhs)
Sr. No.	Particulars	Amount
1	Claims against Bank not acknowledged as debts	8974.95
2	Liability on account of outstanding forward exchange contract (includes both sale & purchase contracts)	536277.09
3	Guarantees given on behalf of constituents:	
	a) In India	105489.16
	b) Outside India	16685.48
4	Acceptances, endorsements & other obligations	24259.14
5	Other items for which bank is contingently liable	6265.44

2. We have examined all the contracts, claims and litigations against the Bank & have analyzed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Bank does not have any other contingent liabilities.

Statement of dividend declared by the Bank and its subsidiary

Bank

Year Ended	No. of shares in crores (Face Value Rs.10)	Rate of dividend (%)	Amount of dividend (Rs. crore)
31.3.1999	33.05	3.14	10.38
31.3.2000	33.05	5.46	18.03
31.3.2001	33.05	2.74	9.04
31.3.2002	33.05	8.77	29.00
31.3.2003	33.05	13.61	45.00

Subsidiary:

Maharashtra Executor & Trustee Company Limited:

Year Ended	No. of shares (Face Value Rs.100)	Rate of Dividend	Amount of Dividend
31.3.1999	20000	Nil	Nil
31.3.2000	20000	Nil	Nil
31.3.2001	20000	Nil	Nil
31.3.2002	20000	Nil	Nil
31.3.2003	20000	Nil	Nil



Details of Unsecured Loans

Break-up of outstanding unsecured loan in respect of Bank of Maharashtra as on March 31st 2003.

(Rs. in crore)

Sr. No.	Name of the Lender	Amount	Repayment Schedule	
			Date	Amount
1	SIDBI Refinance	7.73	Ongoing	Ongoing
2	NABARD Refinance	295.87	Ongoing	Ongoing
3	NHB Refinance	0.09	Ongoing	Ongoing
4	TT Discounted with SBI at various branches	0.17	Ongoing	Ongoing
5	Book Credit Balance in Nostro Accounts (Borrowing outside India)	10.95	Ongoing	Ongoing
6	Tier II Bonds Sr. I	170.00	26-04-2006	170.00
7	Tier II Bonds Sr. II	50.00	14-05-2006	50.00
8	Tier II Bonds Sr. III	100.00	29-04-2007	100.00
9	Tier II Bonds Sr. IV	100.00	29-06-2008	100.00

Note: None of the above borrowings are related to promoters, group companies, affiliates, associates etc.

Certificate regarding Investment As on 31.3.2003

(Rs in crore)

Sr No	Details of Investment	Category	Book Value	MV	Diminution in the value
1	Govt Sec	Held To maturity	1,129.80	1,129.80	0.00
2	Govt Sec	Held To maturity	746.27	746.27	0.00
3	Govt Sec	Available for Sale	8,282.03	9,225.60	0.00
4	Govt Sec	Held for trading	24.11	23.53	0.58
			10,182.21	11,125.20	0.58
5	Other App Sec	Held To maturity	234.95	234.95	0.00
6	Other App Sec	Available for Sale	1.50	1.57	0.00
			236.45	236.52	0.00
7	Shares	Held To maturity	17.43	17.43	2.27
8	Shares	Available for Sale	44.56	42.72	1.84
			61.99	60.15	4.11
9	Debt + bonds	Held To maturity	444.75	444.75	0.00
10	Debt + bonds	Available for Sale	734.75	768.97	0.00
			1,179.50	1,213.72	0.00
11	Subordinate/JVs	Held To maturity	10.90	10.90	0.00
			10.90	10.90	0.00
12	Others	Held To maturity	55.11	55.11	0.00
13	Others	Available for Sale	100.76	119.00	0.00
			155.87	174.11	0.00
	Total		11,826.92	12,820.60	4.69
Less	Provision on NPA in Investment Portfolio		20.69		
	Depreciation		4.69		
	0.25% on Std Assets (Rs 70000/-)		0.01		
			25.39		
	Net Investments as per Balance Sheet as on 31.3.03		11,801.53		



C. STATUTORY AND OTHER INFORMATION

MINIMUM SUBSCRIPTION

If the Bank does not receive the minimum subscription of 90% of the issue amount, till the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of application, the Bank shall forthwith refund the entire subscription amount received. For delay beyond 78 days, if any, in refund of such subscription, the Bank shall pay interest as per Section 73 of the Companies Act, 1956.

EXPENSES OF THE ISSUE

The expenses of the Issue payable by the Bank inclusive of brokerage, fees payable to the Lead Managers to the Issue, Co-Managers to the Issue, Advisor to the Issue, Legal Advisor, Auditors, reimbursement of expenses to the Registrars, stamp duty, printing, advertising and distribution expenses, listing fees and other expenses are estimated to be maximum of Rs. 10 crores and will be met out of the proceeds of the Issue. The following table gives a break-up of the estimated issue expenses and contingencies:

Particulars	Rs. in crore
Lead Managers fees, Out of Pocket Expenses and Brokerage	4.25
Advertisement budget	3.80
Printing & Stationery	1.00
Registrar fees	0.25
Travelling for conference and other expenses	0.50
Contingencies	1.50
Total expenses	11.30

Fee payable to the Lead Managers to the Issue

The fees payable to the Lead Managers to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Head Office of the Bank.

Fee payable to the Co-Managers to the Issue

The fees payable to the Co-Managers to the Issue is as set out in the relevant document, a copy of which is open for inspection at the Head Office of the Bank.

Fee payable to the Registrars to the Issue

The fees payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Head Office of the Bank.

Brokerage

As per Section 13 of the Banking Regulation Act 1949, no Banking company can directly or indirectly pay by way of commission, brokerage, discount in any form in respect of any shares issued by it, any amount exceeding in the aggregate 2.5% of the paid up value of the said shares.

The Bank has got an exemption from GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) vide letter no. F. No. 11/19/2001-BOA dated January 27th, 2004 from the provisions of the said section 13 relating to payment of brokerage, commission, discounts upto 5 years.

Accordingly brokerage would be paid to the brokers as per Bank's communication to The Stock Exchange Mumbai and National Stock Exchange. No brokerage is payable on applications procured from QIBs.

Brokerage at the rates specified above will be paid by the Bank on the basis of allotments made against applications bearing the stamp of a member of any recognised Stock Exchange in India in the brokers/agents column.

The Bank, at its sole discretion, may also consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by the Bank.

In any case, the overall brokerage expenditure would not exceed 1.5% of the issue size.

In case of tampering or over stamping of broker codes on the Application Form, the Bank's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in the matter.

Underwriting commission

Since the Issue is not being underwritten, no underwriting commission is payable.



PREVIOUS ISSUES BY THE BANK

The Bank has not made any issue of Equity Shares/ Debentures/ Preference Shares by way of Public/Rights Issue through an Offer Document since the date of its nationalisation on 19.07.1969. However, the Bank has raised Tier II capital by way of private placement to augment capital adequacy as under:

Sr. No	Particulars	Outstanding Balance (Rs. in crore)	Interest Rate (%)	Period	Date of Repayment	Repayment terms
1	Tier II Bonds Sr. I	170.00	12.60	80 Months	26.4.2006	Bullet
2	Tier II Bonds Sr. II	50.00	11.50	63 months	14.5.2006	Bullet
3	Tier II Bonds Sr. III	100.00	9.45	63 months	29.4.2007	Bullet
4	Tier II Bonds Sr. IV	100.00	7.00	63 months	29.6.2008	Bullet
	Total	420.00				

Issues for consideration other than for Cash

There have not been any issues for consideration other than cash.

Previous Commission and Brokerage

No sum has been paid or is payable as commission or brokerage for subscribing to or agreeing to subscribe to or procuring or agreeing to procure subscription for any of the shares of the Bank since its nationalisation on July 19th, 1969.

OPTION TO SUBSCRIBE

Save as otherwise stated in this Offer Document, the Bank has not given any person nor does it propose to give any person any option to subscribe to the shares of the Bank.

The investor shall have the option to subscribe to securities to be dealt with in a depository. The investor shall have the option to either to receive the security certificates or to hold the securities in demit form with a depository.

PURCHASE OF PROPERTY

There is no property which the Bank has purchased or acquired or proposes to purchase or acquire, which is to be paid for, wholly or partly, out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of issue of this Offer Document, other than:

- the contracts for the purchase or acquisition whereof were entered into, or may be entered into, in the ordinary course of the Bank's business, such contracts not being made in contemplation of the Issue or in consequence of the contract; or
- property in respect of which the amount of the purchase consideration is not material.

The Bank has not purchased any property in which any of its Directors had or have any direct or indirect interest or in respect of any payment thereof.

The Bank has no plans, at present, to acquire any running business out of the proceeds of the Issue.

TERMS OF APPOINTMENT OF CHAIRMAN AND MANAGING DIRECTOR

In exercise of the powers conferred by clause (a) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with sub-clause (1) of clause 3, clause 6, clause 7 and sub-clause (1) of clause 8 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme 1970, the Central Government, after consultation with RBI, has appointed Shri S. C. Basu as Chairman and Managing Director of the Bank upto September 24th, 2005 vide notification F. no. 9/26/2000-B.O.I dated September 25th, 2000. His compensation details are as follows:

Salary: Rs. 41,580 per month in the scale of Rs. 24,050 – 650 – 26,000 with effect from September 25th, 2000. Other benefits: Allowances and Perquisites as per Government of India guidelines such as dearness allowance, city compensatory allowance, housing, Leave Travel Allowance, Contribution to Provident Fund, Gratuity, Superannuation, Reimbursement of medical expenses, entertainment expenses and others.

TERMS OF APPOINTMENT OF EXECUTIVE DIRECTOR

In exercise of the powers conferred by clause (a) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with sub-clause (1) of clause 3 and sub-clause (1) of clause 8 of the Nationalised



Banks (Management and Miscellaneous Provisions) Scheme 1970, the Central Government, after consultation with RBI, has appointed Shri. Ashokkumar Vithal Dugade as Whole time Director (designated as Executive Director) of the Bank upto March 31st, 2008 vide notification F no. 9/7/2003 – B. O. I dated July 25th, 2003. His compensation details are as follows:

Salary: Rs. 35,299.50 per month in the scale of Rs.22,050-500-24,050 with effect from July 25th, 2003.

Other benefits: Perquisites as per Government of India guidelines such as housing, Leave Travel Allowance, Contribution to Provident Fund, Gratuity, Superannuation, Reimbursement of medical expenses, entertainment expenses.

PAYMENT OR BENEFIT TO THE DIRECTORS AND OFFICERS OF THE BANK

No amount or benefit has been paid or given or is intended to be paid or given to any Director or Officer of the Bank except their normal remuneration and/or reimbursement for the services rendered to the Bank to which they are entitled to or may become entitled to under the provisions of the Bank Nationalisation Act or otherwise in accordance with the Law.

The cumulative expenditure on Travelling Allowance, Hotel/ Halting Expenses and fees for Directors in the last one-year is as follows

(Rs. in lakhs)

Year ended March 31, 2003	Amount
Travelling Allowance	38.41
Hotel/Halting Allowance	25.85
Sitting Fees	1.17
Total	65.43

Except the benefits as provided under the relevant rules framed by the Government of India from time to time, the

Directors of the Bank are not eligible to any additional benefits upon termination of employment.

The Key Managerial Personnel are entitled to the compensation & benefits as applicable to all the permanent employees of the Bank. All the Key Managerial Personnel are of the General Manager and higher grade and hence that compensation falls in the scale of Rs. 19,340 – Rs. 21,300 p.m. The other benefit includes the festival loan housing loan reimbursement of certain expenses etc. as per Officers Service Regulations.

NATURE AND INTEREST OF DIRECTORS

No Director of the Bank is interested in the appointment of any of the Managers, Registrars and Bankers to the Issue. No Director of the Bank is interested in any property acquired by the Bank within two years of the date of the Offer Document or proposed to be acquired by it.

The Directors are not interested in any loan or advance given by the Bank to any person(s)/ Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank.

CAPITALISATION OF RESERVES OR PROFITS

The Bank has not capitalised its reserves or profits in the last five years.

REVALUATION OF ASSETS

The Bank revalued its premises located at various centres during 1993 - 1994 and the difference between market value and book value of the premise was credited to Revaluation Reserve and debited to Revalued Premise Account. The total amount credited to Revaluation Reserve is as under:

Year	Amount (Rs. in crore)
1993-94	53.28



D. MAIN PROVISIONS OF THE BANK NATIONALISATION ACT

Relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 as amended by the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1994 & Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995 & 1996 hereinafter collectively referred to as the Bank Nationalisation Act are:

AUTHORISED CAPITAL

As per the provisions of Section 3 (Sub-Section 2A) of the Banking Companies (Acquisition) Act, 1970 the Authorised Capital of the Bank shall be Rupees 1500 crores to be divided into 150 crore of fully paid-up equity shares of Rs. 10/- each.

Provided that the Central Government may, after consultation with the Reserve Bank of India and by notification in the Official Gazette, increase or reduce the authorised capital as it thinks fit, so however that after such increase or reduction, the authorised capital shall not exceed Rs. 3000 crore, or be less than Rs. 1500 Crores.

ISSUED CAPITAL

Section 3 (Sub-Section 2B) of the Banking Companies (Acquisition) Act, 1970 provides that the paid-up capital may from time to time be increased by

- (a) Such amounts as the Board of Directors of the corresponding new Bank may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government transfer from the reserve fund established by such Bank to such paid-up capital;
- (b) Such amounts as the Central Government may, after consultation with the Reserve Bank, contribute to such paid-up capital;
- (c) Such amounts as the Board of Directors of the corresponding new Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise by Public Issue of shares as may be prescribed, so however, that the Central Government shall at all times hold not less than 51% of the paid-up capital of each corresponding new Bank.

The entire paid-up capital of the corresponding new Bank, except the paid-up capital raised by public Issue under clause (c) of Sub-Section 2B shall stand vested in, and allotted to, the Central Government.

Sec 3 (2BB) of Banking Companies (Acquisition) Act, 1970 provides that "notwithstanding anything contained in subsection (2), the paid up capital of a corresponding new

Bank constituted under subsection (1) may from time to time and before any paid up capital is raised by Public Issue under clause (c) of sub section (2B) be reduced by

- (a) the Central Government after consultation with the Reserve Bank by cancelling any paid up capital which is lost, or is unrepresented by available assets;
- (b) the Board of Directors, after consultation with Reserve Bank and with the previous sanction of the Central Government, by paying off any paid up capital which is in excess of the wants of the corresponding new Bank....."

(2BBB) "Notwithstanding anything contained in sub section (2BB) or sub-sub section (2BBA), the paid up capital of a corresponding new Bank shall not be reduced at any time so as to render it below twenty five percent of the paid up capital of that Bank as on date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995."

RIGHTS OF EQUITY SHAREHOLDERS

As to Dividend

Section 10(7): After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and Superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by Banking companies, a corresponding new Bank may, out of its net profits, declare a dividend and retain the surplus, if any.

Voting Rights

Section 3(2E): No shareholder of the corresponding new Bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new Bank.

Meeting of Shareholders

Section 10A: A General Meeting (in this Act referred to as an annual general meeting) of every corresponding new Bank which has issued capital under clause (c) of sub-section (2B) of Section 3 shall be held at the place of the head office of the Bank in each year at such time as shall from time to time be specified by the Board of Directors:

- Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance sheet together with the profit and loss account and auditors' report is under sub-section (7A) of section 10, forwarded to the Central Government or to the Reserve Bank, whichever date is earlier.
- The shareholders present at an annual general meeting



shall be entitled to discuss the balance sheet and the profit and loss account of the corresponding new Bank made up to the previous 31st day of March, the report of the Board of Directors on the working and activities of the corresponding new Bank for the period covered by the accounts and the auditor's report on the balance sheet and account.

TRANSFER OF SHARES AND SHARE REGISTERS

Section 3 (2D): The shares of every corresponding new Bank not held by the Central Government shall be freely transferable.

Section 3 (2F): Every corresponding new Bank shall keep at its head office a register, in one or more books, of the shareholders (in this Act referred to as the Register) and shall enter therein the following particulars:

- (i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;
- (ii) the date on which each person is so entered as a shareholder;
- (iii) the date on which any person ceases to be a shareholder and
- (iv) such other particulars as may be prescribed

Section 3 (2G): Notwithstanding anything contained in sub-section (2F), it shall be lawful for every, corresponding new Bank to keep the register in computer floppies or diskettes subject to such safeguards as may be prescribed.

Section 3 (3): Notwithstanding anything contained in the Indian Evidence Act, 1872, a copy of, or extract from, the Register, certified to be a true copy under the hand of an officer of the corresponding new Bank authorised in this behalf by it, shall in all legal proceedings, be admissible in evidence.

Section 3A: Notwithstanding anything contained in sub-section (2F) of Section 3, no notice of any trust, express, implied or constructive, shall be entered on the register, or be receivable, by the corresponding new Bank.

BOARD OF DIRECTORS AND THEIR POWERS

Constitutions of the Board of Directors:

Section 9 (3): Every Board of Directors of a corresponding new Bank, constituted under any scheme made under Section (1), shall include:

- (i) not more than two whole time directors to be appointed by the Central Government after consultation with the Reserve Bank;

- (ii) one director who is an official of the Central Government to be nominated by the Central Government provided that no such Director will be a Director of any other corresponding new Bank as in terms of the Banking Companies (Acquisition) Act, 1970;

- (iii) one director who is an officer of the Reserve Bank to be nominated by the Central Government on the recommendation of the Reserve Bank.

Explanation: For the purpose of this clause "an officer of the Reserve Bank" includes an officer of the Reserve Bank who is deputed by the Bank under Section 54AA of the Reserve Bank of India Act, 1934 to any institution referred to therein.

- (iv) Not more than 2 directors to be nominated by the Central Government from amongst SEBI established under Section (3) of SEBI Act 1992 (15 of 1992), the National Bank for Agriculture & Rural Development established under section (3) NABARD Act 1981 (61 of 1981), Public financial institutions as specified in subsection (1) or notified from time to time under Sub-Section (2) of Section (4A) of Companies Act 1956 (1 of 1956) and other institutions established or constituted by or under any Central Act or incorporated under the Companies Act 1956 and having not less than 51% of the paid-up share capital held or controlled by the Central Government.

- (v) one director, from among such of the employees of the corresponding new Bank who are workmen under clause(s) of Section 2 of the Industrial Disputes Act, 1947 to be nominated by the Central Government in such manner as may be specified in a scheme made under this section;

- (vi) one director, from among the employees of the corresponding new Bank, who are not workmen under clause (S) of Section 2 of the Industrial Disputes Act, 1947, to be nominated by the Central Government after consultation with Reserve Bank;

- (vii) one director who has been a Chartered Accountant for not less than 15 years to be nominated by the Central Government after consultation with the Reserve Bank;

- (viii) subject to the provisions of clause (i), not more than six directors, to be nominated by the Central Government;

- (ix) where the capital issued under clause (c) of sub-section (2B) of Section 3 is _

- not more than twenty per cent, of the total paid up capital, not more than two directors.
- more than twenty per cent but not more than forty



per cent, of the total paid-up capital, not more than four directors.

- more than forty per cent, of the total paid-up capital, not more than six directors to be elected by the shareholders other than the Central Government, from amongst themselves.

Provided that on the assumption of charge after election of any such directors under this clause, equal number of directors nominated under clause (h) shall retire in such manner as may be specified in the scheme.

(3A): The directors to be nominated under clause (h) or to be elected under clause (i) of Sub-Section 3 shall -

(A) have special knowledge or practical experience in respect of one or more of the following matters, namely:

- agricultural and rural economy
- Banking
- Co-operation
- economics
- finance
- law
- small scale industry
- any other matter the special knowledge of, and practical experience in which would in the opinion of the Reserve Bank, be useful to the corresponding new Bank;

(B) represent the interest of depositors; or

(C) represent the interests of farmers, workers and artisans.

REMOVAL OF DIRECTORS

Section 9 (3B): Where the Reserve Bank is of the opinion that any director of a corresponding new Bank elected under clause (i) of Sub-section (3) does not fulfil the requirements of the Sub-Section (3A), it may, after giving to such director and the Bank a reasonable opportunity of being heard, by an order remove such director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section 3(A) in place of the person so removed till a Director is duly elected by the shareholders of the corresponding new Bank in the next Annual General Meeting and the person so co-opted shall be deemed to have been duly elected by the shareholders of the corresponding new Bank as a director.

POWERS OF BOARD OF DIRECTORS

Section 19:

(1) The Board of Directors of a corresponding new Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government by notification in the Official Gazette make the regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, the regulations may provide for all or any of the following matters, namely:

- the powers, functions and duties of local boards and restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of local committees and committees of local boards (including the number of members of any such committee) the powers, functions and duties of such committees, the holding of meetings of local committees and committees of local boards and the conduct of business there at;
- the manner in which the business of the local boards shall be transacted and the procedure in connection therewith.;
- the nature of shares of the corresponding new Bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders.
- the maintenance of register, and the particulars to be entered in the register in addition to those specified in sub-section (2F) of Section 3, the safeguards to be observed in the maintenance of register on computer, floppies or diskettes, inspection and closure of the register and all other matters connected therewith.
- the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised.
- the holding of meetings of shareholders and the business to be transacted thereat.



-
- v. the manner in which notices may be served on behalf of the corresponding new Bank upon shareholders or other persons.
 - vi. the manner in which the directors nominated under clause (g) of sub-section (3) of Section 9 shall retire.
- (c) the delegation of powers and functions of the Board of Directors of a corresponding new Bank to the general manager, director, or other employee of that Bank.
 - (d) the conditions or limitations subject to which the corresponding new Bank may appoint advisors, officers or other employees and fix their remuneration and other terms and conditions of service.
 - (e) the duties and conduct of advisors, officers or other employees of the corresponding new Bank.
 - (f) the establishment and maintenance of Superannuation, pension, provident or other funds for the benefit of officers or other employees of the corresponding new Bank or of the dependants of such officers or other employees and the granting of Superannuation allowances, annuities and pensions payable out of such funds.
 - (g) the conduct and defence of legal proceedings by or against the corresponding new Bank and the manner of signing and pleadings.
 - (h) the provision of a seal for the corresponding new Bank and the manner and effect of its use.
 - (i) the form and manner in which contracts binding on the corresponding new Bank may be executed.
 - (j) the conditions and the requirements subject to which loans or advances may be made or bills may be discounted or purchased by the corresponding new Bank.
 - (k) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of officers or other employees of the corresponding new Bank or their dependants.
 - (l) the preparation and submission of statements of programmes of activities and financial statements of the corresponding new Bank and the period for which and the time within which such statements and estimates are to be prepared and submitted; and
 - (m) generally for the efficient conduct of the affairs of the corresponding new Bank.



E. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years prior to the date of the Offer Document) which are or may be deemed to be material have been entered into by the Bank. Copies of these contracts, together with the copies of the documents referred to below, all of which have been attached to a copy of the Offer Document, which has been delivered to the Designated Stock Exchange, may be inspected at the Head Office of the Bank between 10.00 A.M. and 12.00 Noon on any working day of the Bank from the date of the Offer Document until the date of closing of the subscription list.

A. MATERIAL CONTRACTS

1. Memorandum of Understanding between the Bank and the Lead Managers to the Issue viz. SBI Capital Markets Limited, Enam Financial Consultants Pvt. Ltd., Kotak Mahindra Capital Company Limited, A. K. Capital Services Limited and Allianz Securities Limited and Bank of Maharashtra specifying the terms of the engagement and the Inter-se Allocation of Responsibilities between the Lead Managers.
2. Memorandum of Understanding dated December 31st, 2003 between the Bank and Registrars to the Issue MCS Limited, specifying the terms and conditions of the engagement.
3. Letter from Bank of Maharashtra appointing Karvy Investor Services Limited as Co-Managers to the issue.
4. Agreement dated February 22nd, 2002 between Bank of Maharashtra and National Securities Depository Limited (NSDL)
5. Agreement dated February 21st, 2002 between Bank of Maharashtra and Central Depository Services (India) Ltd. (CDSL)

B. MATERIAL DOCUMENTS

1. Copy of the resolution of Board of Directors of the Bank at the Board Meeting held on October 20th, 2003.
2. Copy of the letter no. F. No. 11/19/2001-BOA dated February 5th, 2004, regarding lock in of Gol shares
3. Copy of the letter no. F. No. 11/19/2001 – BOA dated December 26th, 2003, under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) from Ministry of Finance (Department of Economic Affairs) in consultation with the Reserve Bank of India (RBI)

4. The Gol, Ministry of Finance, Department of Economic Affairs (Banking Division) gazette notification ref. F. No.11/19/2001-BOA dated January 27th, 2004 from the provisions of the said Section 15(1) of the Banking Regulation Act, 1949, relating to the payment of dividend, for a period of five years from the date of the notification.
5. Consent dated November 27th, 2003 from M/s. Sridhar & Santhanam, M/s. N. Kumar Chhabra & Co., M/s. JCR & Co., M/s. Jodh Joshi & Co., M/s. M. Mittal & Aggrawal, M/s. Jagdish Chand & Co. to act as auditors of the Bank and to the inclusion of their report on tax benefits in the Offer Document of the Public Issue.
6. Audit Report dated November 29th, 2003 from M/s. Sridhar & Santhanam, M/s. N. Kumar Chhabra & Co., M/s. JCR & Co., M/s. Jodh Joshi & Co., M/s. M. Mittal & Aggrawal, M/s. Jagdish Chand & Co.
7. Tax benefit report dated November 29th, 2003 from For M/s. Sridhar & Santhanam, M/s. N. Kumar Chhabra & Co., M/s. JCR & Co., M/s. Jodh Joshi & Co., M/s. M. Mittal & Aggrawal, M/s. Jagdish Chand & Co.
8. Copies of the Balance Sheet and Profit and Loss Accounts of Bank of Maharashtra for the five years ended March 31st, 1999, 2000, 2001, 2002 and 2003.
9. Copies of the Balance Sheet and Profit and Loss Account of three Regional Rural Banks (RRBs) of the Bank for the four years ended March 31, 1999, 2000, 2001, and 2002.
10. Consents from the Lead Managers, Co Managers, Registrars, Legal Advisors and Compliance Officer to the Issue.
11. Copy of Initial Listing Applications dated January 20th, 2004 made to the Stock Exchanges at The Stock Exchange Mumbai, and the National Stock Exchange of India Limited for listing of equity shares of the Bank.
12. Copy of the letter dated February 5th, 2004 from the Stock Exchange, Mumbai and letter dated February 5th, 2004 from the National Stock Exchange Ltd. Granting In-principle listing approval.
13. Copy of the Gazette of India notification no. F. No. 9/26/2000-B.O.I dated 25.9.2000 appointing Shri S. C. Basu as Chairman and Managing Director of Bank of Maharashtra.
14. Copy of the Gazette of India notification F No. 9/7/2003-B.O.I dated 25.7.2003 appointing Shri A. V. Dugade as the Executive Director of Bank of Maharashtra.
15. Copy of Verma Committee Report and relevant extract of Janakiraman Committee Report.
16. Copy of the Observation letter no. CFD/DIL/UR/2910/2004 dated February 11, 2004 from Securities & Exchange Board of India



PART III

DECLARATION

All relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1994 & Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995 and Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1996 and the guidelines issued by the Government have been complied with and no statement made in this Offer Document is contrary to the provisions of the said Act/ Regulations/ Guidelines and rules framed thereunder. Further we certify that all the disclosures made in the Offer Document are true and correct.

Shri S. C. Basu, Chairman & Managing Director

Shri A. V. Dugade, Executive Director

Dr. Tarun Das, Director

Smt. P. Kumar, Director

Shri S. S. Desai, Director

Shri A. K. Pandit, Director

Shri S. K. Vashisht, Director

Dr. B. M. Bhandary, Director

Prof. G. D Sharma, Director

Shri Gyan Prakash, Director

Shri K. S. Oberoi, Director

Shri P. N. Deshpande, Director

Place: Pune

Dated: February 11th, 2004



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