



VINAYAK LOCAL AREA BANK LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report on the developments of **Vinayak Local Area Bank Limited**, together with the Audited Financial Statements of the Company for the year ended 31st March, 2018.

FINANCIAL HIGHLIGHTS

The financial performance for the fiscal 2018 is summarized in the table below: (*In '000s*)

	Fiscal 2018	Fiscal 2017
Net Interest and Other Income	3,629.67	3,582.75
Interest Expenditure	146.84	127.61
Operating Expenses	3,423.41	3,558.06
Provisions & Contingencies*	5,247.78	4,458.72
Loss before Tax	5,188.36	4,561.64
Provision for Tax	30.45	00
Net Loss	5,218.81	4,561.64

**Provisions & Contingencies exclude Provision for Tax.*

During the fiscal year, the Bank did not carry any Banking business, due to RBI directions except the follow up action for recovery of Bank's Dues. The main source of Income was from Interest on Fixed deposits with other Bank(s). After taking into account, the operating expenses and provisions; Bank incurred losses amounting to ₹52.18/- Lakhs.

DIVIDEND

In the absence of banking operations during the year, your Directors express their inability to recommend any dividend for the year under review.

DEPOSITS

Your bank had accepted ₹65.96/- Lakhs as deposits by the end of 29th September, 2001, which were fully repaid in compliance of RBI's direction and sufficient balance as directed by the Reserve Bank of India is duly maintained with State Bank of India for the unclaimed deposits.



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APPROPRIATIONS

During the year the losses amounting to ₹ 52.18/- Lakhs was charged to Reserves and Surplus of the Company.

SHARE CAPITAL

The Authorized Equity Share Capital is ₹ 8,50,00,000/- (Rupees Eight Crores and Fifty Lakhs Only) & Paid-up Equity Share Capital as on 31st March, 2018 is ₹ 50,011,700/- (Rupees Five Crores and Eleven Thousand Seven Hundred Only). During the year under review, the Company has not issued shares with differential voting right nor granted stock option nor sweat equity.

EFFORTS FOR RESTORATION OF LICENCE

As we all are aware, Hon'ble Appellate Authority, Ministry of Finance, Central Government by passing an order on 14th September, 2004 declared that:


1. The License of our Bank has been cancelled by RBI on wrong appreciation of facts.
2. Bank should be given a reasonable opportunity to resume its banking business.
3. The License of the bank should be immediately restored and bank should be immediately scrupulously follow all the guidelines by RBI.
4. RBI is directed to restore the license immediately.

In furtherance to the order issued by the Appellate Authority, the Hon'ble President of India vide letter dated 13.09.2011; had directed to Sh. D.K.Mittal, Secretary of Department of Financial Services, Ministry of Finance; to examine the matter personally for an early solution of the long pending issue especially since the Government was in the direction of achieving Financial Inclusion in a much wider sense. The Hon'ble President further added that "Even though the said order of the Appellate Authority was issued on 14.09.2004, it appears that the RBI has not yet taken any positive action to restore the license of VLAB.

The Bank has already filed the S. B. Civil Writ petition No. 8006/2007 in the Hon'ble Court of judicature for Rajasthan at Jaipur Bench on 1st June, 2007 on merit in the interest of the justice for the restoration of bank. Our writ petition is pending before the Hon'ble High Court, Rajasthan, Jaipur Bench, for consideration of our prayer on merits.

Subsequently, Sh. Phul Singh Ola (Social Worker) filed Public Interest Litigation (Writ Petition Civil) No. 354/2013 before the Hon'ble Supreme Court in the matter to allow the Vinayak Local Area Bank, Sikar (Rajasthan) to resume its banking operations prayed to direct the respondents




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to restore the banking license. Hon'ble Supreme Court passed an order dated 12th June, 2013 as follows:

"We see no reason to go into the merits of the matter under the existing facts and circumstances. But, in view of the fact that the time to consider the representation is due to expire on 1.7.2013, we deem it just, equitable and proper to permit the concerned Bank – Vinayak Local Area Bank to file a representation before the Reserve Bank of India raising all the pleas and if such an application is filed, the same be considered on its own merits.

The writ petition is disposed of accordingly."

The Board in consultation with Senior Advocate Sh. H.C. Ganeshia decided to file a representation before the Reserve Bank of India in compliance of the order passed by the Hon'ble Supreme Court for the revival of the Bank in the interest of justice for the welfare of the poor people and urge to allow the banking services in the backward areas under the scheme of financial inclusion in order to support the industry and economic growth of the country.

RBI was not able to reply for the representation filed by us. The Hon'ble High Court of Rajasthan, Jaipur Bench has in WP No 8006 of 2007 filed by Vinayak Local Area Bank Against Reserve Bank of India and others passed an order dated September 18, 2013. In the Said order, the Hon'ble High Court intervened and directed the Reserve Bank As under

"It has transpired during the course of argument that as per direction of the Hon'ble Supreme Court, the petitioner has already submitted a representation before the Reserve Bank of India.

Therefore, It is deemed just and proper that before proceeding further to adjudicate the matter, the representation filed by the petitioner be decided by Reserve Bank of India. Looking to the fact that the instant dispute is pending since the year 2007, the respondent Reserve Bank of India is directed to decide the said representation before 31.10.2013.

In compliance of the order passed by the Hon'ble Supreme court, High Court, Jaipur, Rajasthan and reply to the representation filed by us, RBI had issued an order dated 23rd October, 2013 ignoring the merits of representation; bluntly said that there are no merits in the case and the representation filed by the bank is rejected.

False statements were knowingly made without honest belief in its truth by RBI in their order dated 23rd October, 2013. Bank has taken up this matter with the Ministry of Finance, Government of India through Shri Sumedhanand Saraswati M.P. Sikar for revival of Bank in the interest of General public of Sikar, Churu and Jhunjhunu specially to serve rural people residing in the above notified backward districts of Rajasthan. It was apprised that one side RBI is issuing



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licenses for setting up of new small Banks and payment Banks in the Private Sector and on other side our license is cancelled deliberately.

We had also filed an Appeal on 19th December, 2014 addressed to the Hon'ble Appellate Authority. The Bank has also requested to the Hon'ble Appellate Authority, Government of India, Ministry of Finance, and Department of Economic Affairs Banking Division New Delhi to issue their Judicial cum executive order for implementation of their order dated 14th September, 2004 for restoration of License of the Bank in public interest.

The Reserve Bank of India was kind to provide the Bank an opportunity for a personal hearing on 13th May, 2016, accordingly Bank handed over a letter dated 11th May, 2016 (booklet) with the details showing our strength and capacity for operation of the Bank since the Bank have already necessary infrastructure branch premises/furniture/fixture, Hi tech facilities ATM, staff etc right now. The Hon'ble Shri R. Gandhi, Dy. Governor Reserve Bank of India was very kind to hear our sufferings caused due to closure of Bank for the last 14 years. Hon'ble Dy. Governor expressed inability for restoration of License of the Bank since RBI has no legal judicial executive power to consider Bank's request.

Recently vide order dated 10.01.2017 of Hon'ble High Court of Jaipur directed RBI to conduct inspection to verify that contention made by the Bank regarding to the infrastructure is valid or not. Following Judgment was passed by Justice Dinesh Mehta ji as reiterated below:

"Without observing anything on the merit and subject to final outcome of the adjudication of rights of the parties, the Reserve Bank of India may ascertain as to whether the infrastructure as claimed by the petitioner is available or not."

In compliance of the order of the High Court RBI through its representatives Sh. Shivkant Sharma (Assistant General Manager) & Sh. Hari Om Pandey (Assistant Manager) conducted inspection on 21st February, 2017. The Infrastructure and staff maintained by the Bank since its inception found in place and order. Bank provided all the assistance and information which is required by the RBI representative in conducting inspection. Thereafter RBI filed its inspection report to the Hon'ble High Court and was found satisfactory by the Court that infrastructure and staff is maintained till date. Further Bank is hoping to get the relief from the Hon'ble High Court for the commencement of the operations of the bank at the earliest.

On 11th August, 2017 the case was heard to some length and Hon'ble High Court passed verdict that taking into consideration certain aspects about banking and accounting system, this court asked Mr. Sanjay Jhanwar, advocate present in the court, to provide assistance.

Thereafter, Learned Counsel for the bank has filed synopsis with regarding to events happened from inception to till date and prayed for quick redressal of long pending matter.



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Further, due to ill health conditions Our Senior Counsel Sh. G.K. Garg expressed his inability to represent our Writ Petition before Hon'ble High Court Rajasthan at Jaipur Bench Thus the management of Bank approached various senior counsel available at Jaipur to represent our Writ Petition followed by in person discussion bank has appointed renowned Advocate Sh. K.K. Sharma ji as our Senior Counsel to represent our Writ Petition before Hon'ble High Court Rajasthan at Jaipur Bench.

Whereas in current financial year an application to amend the Writ Petition along with amended writ petition was filed before the Hon'ble High Court at Jaipur bench to challenge the first review order dated 23.12.2003 passed by Appellate Authority, Central Government thereafter Hon'ble High Court accepted application for amendment & chose to further proceed. But on other hand RBI is showing its illicit intentions to delay the long pending matter and on every scheduled hearing date their Senior Counsel either remains absent or pray for next hearing date. Resultantly, no prominent order was passed by Hon'ble High Court to restore our banking license.

Learned counsel for RBI raised objection to accept the amendment as it is hit by latches. Thereafter Hon'ble High Court passed an order on 08th January, 2018 that the issue of latches would come in regard to the prayer if amendment is allowed thus while accepting the application to amend the writ petition, the respondents is given right to file a reply and therein to raise issue of delay for challenge to the order on first review petition and directed to file amended writ petition within a week. Thereupon, the respondents may file reply within a period of four weeks.

Bank has also made an application to allow VLAB to start its banking operations on provisional basis and whatever terms & conditions imposed by Hon'ble High Court and RBI. But after considering the application Hon'ble Justice Sh. S.P. Sharma ordered as reiterated below:

"Application has been moved for passing appropriate directions to allow petitioner to operate the bank during the pendency of this writ petition.

I have considered the contents of the application and find that prayer made in the application amounts to allowing the main writ petition itself which cannot be done in interregnum stage. The application is dismissed.

Let the writ petition itself now be listed for arguments and final disposal at this stage on 24th April, 2018."

Further More due roster at Hon'ble High Court our Writ Petition was transferred to court no. 18 before the bench of Hon'ble Justice Sh. Sanjeev Prakash Sharma from Court no. 5, bench of Hon'ble Justice Sh. Muneesh Nath Bhandari.



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The Board, Employees and the members associated with the bank are making efforts continuously for the restoration of the License of the Bank for the welfare of the people of the Shekhawati region in order to support the socio economic growth of the region.

FUTURE OUTLOOK

As we enter the New Year with a lot of optimism, dedication and commitment. Banking industry is witnessing broader opportunities due to steps taken by Government of India. The Management is making concerted efforts to restart Banking activities to serve the society whilst providing banking services and contribute to achieve the goal of digitalization and cashless economy.

Financial Inclusion is seen as one of the means for overall economic development of the nation. The growth of the rural banking industry fosters financial inclusion by providing financial products and services to the people in the farthest reaches of the country. Our Motherland still lacks access to basic financial services. However the recent policies of the government like Pradhan Mantri Jan Dhan Yojna and others has led to a commendable growth in the industry.

In previous financial year due to demonetization and to become a cashless economy need of Banking Sector is tremendously increased. In our country still most of the rural area and farmers is still out of reach to avail banking services. Whereas digitalization and cashless economy will lead this sector to reach every citizen of the country and make them able to deal with digital mode.

The issue of rural retail banking is extremely topical. Over the past few decades, while urban retail banking has seen a lot of growth, rural areas have continued to suffer from insufficient access to financial services. This is mainly due to the requirement of asset deeds, identity and income proofs among other documents by banks and FIs and absence of enough branches in these areas. The high cost of conventional banking is an additional impediment to the realization of financial inclusion.

Whereas recent Banking Scams lead to focus on neat and clean availability of banking services and good corporate governance at the center of a banking company. Vinayak Bank is always committed to provide transparent and impartial banking services to outreach every corner of its area of operations along with high standards of corporate governance.

Vinayak Bank is striving continuously to get its banking license restored at the earliest and looking forward to serve the society with hi-tech, innovation and reliable banking services and to contribute towards the Govt. of India vision of cashless and digital economy along with to endure entrepreneurship.



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EXTRACT OF ANNUAL RETURN

The extract of Annual Return pursuant to the provisions of Section 92(3) of The Companies Act, 2013 read with Rule 12 of the Companies (Management and administration) Rules, 2014 in the prescribed Form MGT-9 is furnished in Annexure I. Further in compliance with Companies Amended Act, 2017 every company is required to upload annual return on its website, if any and shall provide web link for the same in its Board report. But whereas it is ambiguous that without filing annual return with Registrar of Companies the company cannot provide an approved annual return. Thus extract of the annual return is annexed as mentioned above. Furthermore annual return of company can be seen in due course of time at following web address: www.vlabl.com/shareholder-point/

LOANS, GUARANTEES AND INVESTMENTS IN SECURITIES BY THE COMPANY

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

RELATED PARTY TRANSACTIONS

There were no transactions with related parties made by the Company during the year and hence the said provision is not applicable. Relevant Form AOC-2 for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 is given in Annexure II to this Report.

MANAGEMENT, BOARD OF DIRECTORS & ITS MEETING

Sh. C.L. Agarwal, Director of the Company whose period is liable to retire by rotation pursuant to Section 152 of the Companies Act, 2013 and other applicable provisions if any, at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

During the year under review, five meetings of the Board of Directors were held on 11th May, 2017, 31st May, 2017, 11th September, 2017, 30th December, 2017 and 27th March, 2018.





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At March 31, 2018, the Board of Directors consisted of 4 Members There were no inter-se relationships between any of Directors. The name of Directors, their attendance at Board meetings during the year, attendance at the last Annual General Meeting (AGM) and the no. of other directorships and board committee memberships held by them at march, 31 2018 are set out in the following table:

Name of Director	Board Meeting attended during the year	Attendance at Last AGM (June 20, 2017)
Ram Jivan Gupta (DIN:00824679)	5/5	Present
Gajanand Gupta (DIN:01819397)	5/5	Present
Chhagan Lal Agarwal (DIN:02193204)	5/5	Present
Rajendra Prasad Singh (DIN:01351908)	2/5	Present

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (3)(c) read with Section 134 (5) of the Companies Act, 2013, the Board of Directors hereby state that:

- In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any
- We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2018 and of the profit & loss of the Company for the year ended on that date
- We have taken proper and sufficient care in maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities
- We have prepared the annual accounts on a going concern basis;
- We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively



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STATUTORY AUDITORS

The Statutory Auditors, M/s Ajay Bohra and Associates, Chartered Accountants, (Firm Registration No. 005916C), will retire in the ensuing AGM. As recommended by the Audit Committee, the Board has proposed the appointment of M/s Ajay Bohra and Associates, Chartered Accountants as statutory auditors of the Company.

The certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3) (g) of the Companies Act, 2013. The observations of the Statutory Auditors in the Auditors' Report together with the relevant notes to Accounts are self - explanatory and therefore do not call for any further comments.

RISK MANAGEMENT POLICY

Your Board have adopted a Risk Management Policy for running the smooth operations of the Company. The Audit Committee review the risks, time to time, and advise appropriate measures to mitigate the same. The Committee ensures the acceptance of the Policy in an inclusive manner at all levels.

ORDERS PASSED BY THE REGULATORS OR COURTS, IF ANY

No significant and material orders were passed by the Regulators, Courts or Tribunals impacting the going concern status and Company's operations in future during the year under review.

STATUTORY DISCLOSURES

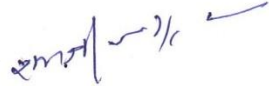
None of the Employees of the Company was in receipt of remuneration, which was more than the limits as prescribed under Section 197 of the Companies Act, 2013 read with the Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the financial year ending on 31st March, 2018 and hence no particulars are required to be disclosed in this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A) Conservation Of Energy

Your Company has taken several initiatives for the conservation of Energy:




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- i) Conducted Workshops for conserving Energy in the workplace;
- ii) Advocating switching off lights and AC's, turning off PC's when not in use, setting higher temperature on ACs to reduce load consumption;
- iii) Put controls on common passage lights and other electrical equipment's;
- iv) Replacement of old Incandescent Bulbs with Energy Saving LED lights.

B) Technology Absorption

Your Company has been at the forefront of technology absorption. Softwares installed during the year has continued to provide its employees quick redressal of the filing of returns and maintenance of data efficiently at optimal costs.

C) Foreign Exchange Earnings and Outgo

There was no Foreign Exchange earnings and outgo during the Financial Year 2017-2018.

CORPORATE SOCIAL RESPONSIBILITY

As Bank is not operational and it is not covered under the criteria stipulated by companies act, 2013 to impart CSR activities. Nothing major amount has been spent under this head. Although our Promoters and Directors actively take part to provide help and assistance for betterment of the society.

INDUSTRIAL RELATIONS

During the year under review, your Company enjoyed cordial relationship with workers and employees at all level.





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SUBSIDIARY COMPANIES

The Company does not have any Subsidiary.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Reserve Bank of India and other government and regulatory agencies. Your Directors would also like to take this opportunity to express their appreciation for the hard work and dedicated efforts put in by the Bank's employees and look forward to their continued patience for the Restoration of the Banking License of the Company.

For and on behalf of the Board of
Vinayak Local Area Bank Limited

Date: 04th June, 2018
Place: Sikar


R.J. Gupta
Chairman
DIN 00824679

