



VINAYAK LOCAL AREA BANK LIMITED  
22<sup>nd</sup> Annual Report  
2021-22



### **CORPORATE INFORMATION**

Sh. R.J.Gupta	<i>Chairman</i>
Sh. G.N. Gupta	<i>Director</i>
Sh. Dheer Singh	<i>Director</i>
Sh. Pawan Kumar Agarwal	<i>Director</i>
Ms. Shikha	<i>Additional Director</i>

### **KEY MANAGERIAL PERSONS**

Sh. Vivek Tiwari	<i>Company Secretary</i>
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### **STATUTORY AUDITORS**

M/s Ajay Bohra & Associates  
*Chartered Accountants*  
E-223, Amba Bari, Jaipur (Rajasthan).

### **BANKERS**

State Bank of India, Station Road, Sikar Rajasthan 332 001.  
Sikar Kendriya Sahkari Bank Limited, Piprali Road, Sikar Rajasthan 332 001.

### **REGISTERED OFFICE**

Tirupati Complex,  
Station Road,  
Sikar – 332 001 (Rajasthan)

### **Contact**

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Domain: [www.vlabl.com](http://www.vlabl.com)  
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### **CORPORATE IDENTITY NUMBER**

U65910RJ1999PLC015937



## ABOUT THE REPORT

The business environment is increasingly being influenced by Governments, Regulators, Civil society and Investors who are steadily moving towards Focusing capital on Long-term. The providers of Financial Capital are now increasingly expecting companies to proactively engage with wider set of stakeholders on matters relating to sustainability. The bank believes in delivering high quality performance based on trust and performance and reap the benefits of strong brand equity. Although the situation during the ongoing pandemic remains uncertain, both people and business are better prepared for the disruptions. Even though the Banks expects short-term impact from the pandemic but the human race has overcome every crisis in history with determination, positivity and perseverance. To proactively engage with a wider set of stakeholders on matters relating to sustainability and in keeping with our very own core principle, commencing this year, we endeavor to transition towards a system of governance-based reporting for long-term value creation.

### Reporting Principle

We present our Twenty Second Annual Report in line with provisions of Companies Act, 2013 and other applicable act, rules and regulation, if any. The financial and statutory data is based on the requirements of the Companies Act, 2013 read with rules made thereunder along with corporate governance norms to the extent applicability, Secretarial Standards as prescribed by the Institute of Company Secretaries of India and other rules and regulations to the extent as applicable to the bank.

In order to optimize governance oversight, provide fair and transparent report, the contents of this report have been reviewed by the Management.

### Reporting Period

This report covers all material issues (financial and non-financial) relating to Vinayak Local Area Bank Limited, Sikar (Rajasthan) for the period commencing from April 1, 2021 to March 31, 2022.

### Independent Assurance

Assurance on financial statements has been provided by our independent auditors viz. M/s Ajay Bohra & Associates, a Jaipur based chartered accountant firm having experience of more than two decades in auditing, and assure that due care and integrity was taken while conducting audit of the Bank.





## ABOUT US

**Vinayak Local Area Bank Limited** a public limited company incorporated in year 1999 under the jurisdiction of Registrar of companies, Jaipur (Rajasthan) subsequently in July 2000 the Reserve Bank of India granted banking license to commence banking operations in three backward districts of shekhawati region of state of Rajasthan i.e. Sikar, Jhunjhunu and Churu. The banking activities were commenced in full fledge with effect from October 2000 by opening its Head Office and Branch office in the heart of shekhawati at Sikar to serve the society of shekhawati region with hi-tech and reliable banking services. Vinayak Bank was very first centralized unit of bank in the entire shekhawati region and the very first ATM of the region was installed by the Bank. Since, our founding, it has been our mission to cater the banking needs of the unserved and undeserved populations at affordable cost. Whereas in a very short span of time the Bank acquired a quite significant volume of business with trust and satisfaction of customers. But later on in the year 2001 due to mis-interpretation of facts & on the basis of factual errors the Reserve Bank of India had issued direction under section 35 of Banking Regulation Act, 1949 to the Bank for stoppage of its banking operations subsequently without providing ample opportunities the Reserve Bank of India had passed an arbitrary order for cancellation of banking license of the bank on 16<sup>th</sup> January, 2002.

Aggrieved by the said order of RBI, The Bank approached to the appellate authority of Banking division against the arbitrarily cancellation of license by the Reserve Bank of India. In year 2004 Bank Appellate Authority (Central Government) ruled out in favor of bank vide its order dated 14<sup>th</sup> September, 2004 directed RBI to restore banking license of Vinayak Bank with immediate effect. But Reserve Bank of India unnecessarily took the matter before the jurisdiction of Hon'ble High Court of Delhi, which is not commensurate with the provisions of Section 36B of the Banking Regulation Act, 1949. Thereafter, unfortunately order of restoration of banking license was set aside by the Hon'ble High Court, Delhi. Since then the matter is under consideration before the Hon'ble High Court Rajasthan at Jaipur Bench. The management of Bank left no stone unturned to restore its banking license, furthermore in this connection management also approached to Govt. of India for restoration of Banking License through official letters addressed to President of India, Prime Minister Office and Ministry of Finance, subsequently instruction was issued by Govt. of India to RBI for resolution of such long pending matter. A Public Interest Litigation was also filed by Sh. Phul Singh Ola, a renowned social worker of the region, for the restoration of banking license of Vinayak Bank in public interest as the concerned region is lacking in terms of availability of adequate banking channels. Resultantly Hon'ble Supreme Court allowed Vinayak Bank to make a representation before the Reserve Bank of India for revival of bank with a liberty that if such representation filed, then it shall be considered on its own merits. Subsequently Vinayak Bank duly submitted representation before the Reserve Bank of India but once again without considering merits of representation the Reserve Bank of India bluntly dismissed the same on flimsy and insignificant grounds. Furthermore, Hon'ble High Court





Rajasthan at Jaipur Bench has also directed the Reserve Bank of India to conduct inspection of Vinayak Bank as to ascertain availability of infrastructure, in compliance of the said order the Reserve Bank of India conducted physical inspection on 21<sup>st</sup> February, 2017 and the availability of infrastructure, machinery & employees was confirmed. Whereas in a bid to increase digital footprint in banking sector for further deepening of financial inclusion the Government of India is encouraging digital banking units to capture the rural & unserved territory of the nation. Your bank is committed to support this initiative to spread its banking feathers to the farthest region in its area of operation. We the management of the Bank continuously striving hard to get the banking license restored at the earliest and serve the people of shekhawati region with tech based transparent banking and financial services with higher standard of corporate governance and contribute towards the financial inclusion to a greater depth.

#### **VISION**

Expanding banking activities to include new sectors and economic activities; such as agriculture, industry, micro, small and medium organization trade and services. We aspire to attract deposits and develop them, in order to achieve the best financial return for the economic growth and development of Shekhawati Region.

#### **VALUES**

- INTEGRITY
- INSPIRATION
- GROWTH
- TRUST
- EXCELLENCE
- ACCOUNTABILITY AND UNITY

#### **MISSION**

Vinayak Local Area Bank Ltd strives to strengthen India's financial and banking sector through the effective utilization of staff and resources.

Vinayak Local Area Bank recognize that while honesty and integrity are the essential ingredients of a strong and stable enterprise, profitability provides the main spark for economic activity Overall, the Bank seeks to scale the heights of excellence in all that it does in an atmosphere free from fear and thereby reaffirms its faith in democratic values.



## DIRECTOR'S REPORT

Dear Shareholders,

Your Board of Directors have great pleasure in presenting the Twenty Second Annual Report on the operations and developments of **Vinayak Local Area Bank Limited** together with the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2022. During the year, the second wave of the Covid 19 pandemic accelerated across the country. The disruption caused to human life was much bigger than the earlier wave. The united response of the policy makers, institutions, corporate, investors and other stake holders has been to safe guard lives first for better livelihoods. The mega vaccination drive initiated by the Indian Government has reduced the severe impact of supposed to be upcoming waves and numbers of new cases of infection were steeply come down. The human sprint to fight back; survive through all odds, business acumen, empathy, research and development in medical and health care sector and technological innovations to find newer ways and means to survive and thrive shall bring a new socio-economic order for sustainable and inclusive growth and development.

## FINANCIAL HIGHLIGHTS

The financial performance for the fiscal 2022 is summarized in the table below:

	<i>(In Rupees &amp; '000s)</i>	
	<b>Fiscal 2022</b>	<b>Fiscal 2021</b>
Net Interest and Other Income	3,289.95	3,607.03
Interest Expenditure	6.61	-
Operating Expenses	3,535.11	3,063.51
Provisions & Contingencies*	10,100.87	8,571.72
Loss before Tax	10,352.64	8,028.20
Provision for Tax	-	141.315
Net Loss	10,352.64	8,169.52

\*Provisions & Contingencies exclude Provision for Tax.

During the year under review, the Bank did not carry any banking business due to arbitrary cancellation of the banking license except the follow up action for recovery of outstanding loans/advances of the Bank. The main source of the Income was from Interest on Fixed deposits maintained with other Scheduled Banks. After taking into account, the operating expenses, Provisions & Contingencies that mainly includes provision of significant amount in respect of Non-Performing Assets, Bank incurred losses amounting to Rs. 103.53/- Lakhs during the reporting financial year.





## REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS

The Directors have reviewed the operations of the Company. The Company has incurred a loss of Rs. 103.53/- Lakhs during the current financial year as compared to the loss of Rs. 81.70/- Lakhs in the last year. Your Directors assure you of ensuring deeper efforts for restoration of banking license and commencement of business operations in the forthcoming years.

## APPROPRIATIONS TO RESERVES AND SURPLUS

During the year the losses amounting to Rs.103.53/- Lakhs was charged to Reserves and Surplus of the Company.

## DIVIDEND

In view of losses and suspension of banking business during the year, The Board of Directors of your Company, after considering holistically the relevant circumstances and keeping in view other relevant aspects, has decided that it would be prudent, not to recommend any Dividend for the year under review.

## TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The provisions of Section 125(2) of the Companies Act, 2013 do not apply to the Company for the year under review.

## DEPOSITS

Your bank had accepted Rs. 65. 96/- Lakhs as deposits by the end of 29<sup>th</sup> 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.

## MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, which affect the financial position of the company which have occurred between the end of the financial year and date of this Director's Report.

## SHARE CAPITAL

The Authorized Equity Share Capital is Rs.8,50,00,000/-(Rupees Eight Crores and Fifty Lakhs Only)&Paid-up Equity Share Capital as on 31<sup>st</sup> March, 2022 is Rs.51,107,000/- (Rupees Five Crores and Eleven Lakhs Seven Thousand Only). During the year under review, the Company has not issued shares with differential voting right nor granted stock option nor sweat equity.





## REGISTRAR AND SHARE TRANSFER AGENT

Further, as per amendments in Companies Act, 2013 read with relevant rules, your Board of Directors has decided to appoint National Securities Depository Limited ("NSDL") as depository of the Bank subsequently the bank has secured ISIN **INE05MU01011** for fully paid-up equity shares of the Bank. Furthermore the Board also approved to appoint NSDL Database Management Limited ("NDML") as Registrar and Transfer Agent ("RTA") for facilitating service request regarding to conversion of physical securities in DEMAT form.

The Company has made available the platform for all the shareholders for conversion of their physically held shares into DEMAT form.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND OPERATIONS OF THE BANK

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.

## STATUS OF JUDICIAL MATTER PENDING WITH RAJASTHAN HIGH COURT

As we all are aware, Hon'ble Appellate Authority, Ministry of Finance, Central Government by passing an order on 14<sup>th</sup> 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 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 before the Hon'ble High Court of judicature for Rajasthan at Jaipur Bench on 1<sup>st</sup> June, 2007 on merits in want 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.

Whereas Sh. Phul Singh Ola (a renowned 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 and prayed to direct the





respondents to restore the banking license. Hon'ble Supreme Court passed an order dated 12<sup>th</sup> 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."***

In compliance of the Hon'ble Supreme Court of India order the board of directors of the company in consultation with Senior Advocate Sh. H.C. Ganeshia decided to file a representation before the Reserve Bank of India. Through the said representation revival of the bank was requested in the want of justice, since ample opportunity was not granted at the time of cancellation of banking license and urged to allow the bank to undertake banking activities in the concerned area for greater financial inclusion in order to support the industry and economic growth of the country.

Thereafter, the Reserve Bank of India did not consider the aforesaid representation in due course of time. The Hon'ble High Court of Rajasthan, Jaipur Bench has in SB Writ Petition 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 of India and Hon'ble High Court, Rajasthan at Jaipur Bench, the Reserve Bank of India had issued an order dated 23<sup>rd</sup> October, 2013, ignoring the merits of representation and bluntly said that there are no merits in the representation and the same is rejected.

False statements were knowingly made without honest belief in its truth by RBI in their order dated 23<sup>rd</sup> October, 2013. Bank has taken up this matter before the Ministry of Finance, Government of India through Shri Sumedhanand Saraswati, Member of Parliament from Sikar for revival of Bank in the interest of General public of Sikar, Churu and Jhunjhunu specially to cater the banking needs of people residing in rural & Suburban area of the above notified backward districts of Rajasthan. It was apprised that on one side the Reserve Bank of India is issuing licenses for setting up of new Small Finance Banks and payment Banks in the Private Sector but in the matter of Vinayak bank, whose banking license was cancelled on wrong appreciation of facts is always being deprived of an ample opportunity to revive its banking operations. Whereas Local Area Banks are pretty much included in the eligibility criteria to convert themselves into





Small Finance Bank but respite in any form has always been denied by the Reserve Bank of India.

We had also filed an Appeal on 19<sup>th</sup> December, 2014 addressed to the Hon'ble Appellate Authority. The Bank has 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 14<sup>th</sup> September, 2004 for restoration of License of the Bank in public interest.

After many requests for providing an opportunity for a personal hearing, the Reserve Bank of India was kind to provide the Bank an opportunity for a personal hearing on 13<sup>th</sup> May, 2016, accordingly Bank handed over a letter dated 11<sup>th</sup> May, 2016, consisting a booklet with the details showing our strength and capacity for operation of the Bank and depicting the Bank is already equipped with necessary infrastructure branch premises/furniture/fixture, Tech facilities, ATM, employees etc. The Hon'ble Shri R. Gandhi, Dy. Governor Reserve Bank of India was very kind to hear our sufferings caused due to unfortunate 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.

The Hon'ble High Court of Judicature for Rajasthan at Jaipur in SB WP no. 8006/2007 vide order dated 10.01.2017 directed RBI to conduct inspection of the bank to ascertain availability of infrastructure as claimed by the Bank. 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 aforesaid order of the Hon'ble High Court, the Reserve Bank of India through its authorized representatives Sh. Shivkant Sharma (Assistant General Manager) & Sh. Hari Om Pandey (Assistant Manager) conducted inspection on 21<sup>st</sup> 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 were being asked for during the inspection. Thereafter RBI filed its inspection report before the Hon'ble High Court and was found satisfactory by the Court that infrastructure and staff is maintained till date. Further Bank is waiting to get the relief from the Hon'ble High Court for the commencement of the operations of the bank at the earliest.

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

Further, due to ill health conditions and pre occupations Learned 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 learned senior counsel available at Jaipur to represent our Writ Petition. After 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 previous financial year an application to amend the Writ Petition along with amended writ petition was filed before the Hon'ble High Court Rajasthan 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 proceed further. But on other hand RBI is showing its illicit intentions to further 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 in this regard.

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 08<sup>th</sup> 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 the bank to start its banking operations on provisional basis and whatever terms & conditions imposed by Hon'ble High Court and the Reserve Bank of India. 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 24<sup>th</sup> April, 2018."*

The case was listed on various dates for hearing but due to court proceedings and reasons beyond control, no lengthy argument held consequently no prominent order has been passed in connection with pending writ petition. Further, due to roster at Hon'ble High Court Rajasthan the case was shifted before the various benches of Hon'ble Justices and remained listed only.

Furthermore, Learned Senior Counsel of the Bank has suggested to file a rejoinder against the reply of Reserve Bank of India in connection with application for amending writ petition to challenge order dated 23.12.2003. Subsequently a rejoinder has been filed followed by acceptance of Hon'ble High Court. On 02<sup>nd</sup> January, 2019 Hon'ble Mr. Justice Inderjeet Singh has passed an order reiterated as below:

*"Heard counsel for the parties.*

*Admit.*

*Since respondents are duly served, fresh notices are not required to be issued."*

*List on 19.02.2019 for hearing.*

Then the case remains unheard for continuous scheduled hearing dates. Thus the matter has been discussed with Learned Counsel of the Bank and it was suggested to file an application for early hearing before the Hon'ble High Court. Consequently the same has been filed and order





dated 13<sup>th</sup> May, 2019 has been passed by Hon'ble Mr. Justice Veerendr Singh Siradhana reiterated as below:

*"Matter comes up on an application (I.A. No. 32084/2019) for early hearing of the writ application.*

*For the reasons detailed out in the memo of the application for early hearing of the writ application and having regard to the nature of controversy involved in the matter; the application for early hearing merits acceptance.*

*Consequently, the application(I.A. No. 32084/2019) for early hearing is allowed.*

*Registry is directed to list the matter for hearing in the daily cause list in the week commencing from 27<sup>th</sup> May, 2019."*

Furthermore many requests have been made to the Reserve Bank of India for consideration and early resolution of long pending matter but Reserve Bank of India bluntly rejected requests on the basis of the past order dated 23<sup>rd</sup> October, 2013, which was based on fabricated and flimsy grounds. It was also informed that the matter is still sub-judice thus RBI has not comments to offer.

In a bid to achieve financial inclusion in deeper sense, the Reserve Bank of India during financial year 2019-20 has issued guidelines for on tap banking licenses for setting up Small Finance Banks in the country. Wherein the existing Local Area Banks are also made eligible for the conversion into small finance bank subject to the fulfillment of terms & conditions as set out in the guidelines. Thereafter in view of the aforesaid guidelines the bank has requested for restoration of banking license and grant of appropriate time to comply with terms & conditions as prescribed by the Reserve Bank of India for the conversion into small finance bank. But all the requests have been rejected on the basis of past orders, which were based on factual errors and no respite was provided.

The Hon'ble High Court Rajasthan at Jaipur Bench has duly accepted our application for early hearing subsequently the case was listed for numerous times before the different benches but remained unheard on most of the scheduled hearing dates. Though the management and learned counsels were proactively engaged in early resolution of the pending writ petition but it is noteworthy that resolution cannot be achieved without arguments.

Whereas due to outbreak of corona virus a nation wide lockdown was imposed by Government of India that led to closure of all the work places across the country. Further due to closure of Hon'ble High Court no hearing was scheduled during previous financial year for the SB writ petition 8006/2007 thus the case remained unheard throughout the year. The court was only taking up the matters through virtual hearing that are urgent in the nature and need immediate consideration, though our learned counsels has made efforts for virtual hearing but no hearing was allowed by the Hon'ble High Court.

That after continuous decline in covid cases the Government of India has allowed opening the business spaces subject to the compliance with covid guidelines. The Bank was opening daily and required regulatory and statutory compliances were performed within the prescribed timelines. Whereas at the end of the previous financial year a sudden surge in covid cases were witnessed across the country and later on it turned out to be a life threatening second wave.





Once again state governments had imposed a month long lockdown to contain the further spread of deadly infection

Whereas during the year under review, a detailed discussions for early resolution of pending matter was held with advocate Nitish Banka (a practicing lawyer in hon'ble supreme court) and it was unanimously decided by the management to engage advocate nitish banka to represent the case in association with existing counsels of the bank. Thereafter on 18.08.2021 an application for early listing was filed before the Hon'ble High Court and efforts were put to get the matter listed at the earliest. Thereafter the matter was assigned 05.01.2022 as next hearing date and the matter was taken up for hearing before the bench of Hon'ble Mr. Justice Sameer Jain then following order was reiterated on the scheduled hearing date.

*"it is submitted by learned counsel for the petitioner that vide order dated 13.05.2019, early listing application was allowed but after lapse of two years, the matter is not listed.*

*Again an application for early listing bearing no. 01/2021 is filed.*

*For the reasons stated therein, this court is inclined to allow the said application for early listing."*

*List the matter on 01.02.2022.*

After that the matter was listed for hearing in virtual mode on scheduled date but learned counsel for respondents has submitted that matter requires intensive hearing which is not possible in virtual mode. Then following order was reiterated by Hon'ble Court:

*"Learned counsel for the respondent Mr. Sanjay Srivastava representing RBI submits that the senior counsel Mr. R.N. Mathur is engaged in the matter. The matter requires intensive hearing which is not possible on virtual mode.*

*In light of the above request, list the matter on 03.03.2022."*

On consideration of above order our learned counsel has put efforts to schedule hearing earlier than the abovementioned date. Therefore the matter was again listed for hearing on 05.02.2022 but due to unavoidable circumstances our learned counsel submitted that the matter require intensive hearing which is possible only in physical mode. Thereafter hon'ble court reiterated following order:

*" Learned counsel for the petitioner Mr. Anubhav Agarwal appearing on behalf of Ms. Anita Agarwal submits that the matter will require intensive hearing which is possible only in physical mode.*

*Learned counsel for the respondents Mr. R.N. Mathur, Sr. Advocate has no objection the same.*

*List on 05.03.2022."*

Thereafter, on scheduled hearing date the matter was listed at the bottom of cause list prepared for the hearing date therefore the matter could not be taken on board and remained unheard. Later in the month the court registry assigned 19.04.2022 as next hearing date to the matter. On scheduled hearing date the matter was not listed in cause list prepared for the hearing date therefore, the matter remained unheard. Thereafter next hearing date is yet to be assigned by





High Court office. Further no major order other than mentioned above was passed by Hon'ble High Court during the reporting period.

The management, employees and counsels associated with the bank have been continuously putting efforts for early resolution of the matter to get the banking licenses restored for the welfare of the people of Shekhawati region in order to support the socio economic growth of the region and contribute towards the financial inclusion of the Nation in a deeper sense but due to court proceedings or reasons beyond understanding the matter could not be argued at length. Even various requests/letters citing the issue of long pendency along with confirmation regarding ready to use infrastructure for banking activities and willingness to undertake banking operations in line with newly issued guidelines have been made to the Ministry of Finance, Reserve Bank of India and it was requested to allow the bank to undertake banking business but as usual arbitrary intent shown by RBI and such requests were not entertained and it was conveyed to be guided by the past orders. The management in want of natural justice actively taking involvement in the matter and shall always strive hard to put best efforts to resolve the matter at the earliest. The Board of Directors also willing to revive banking operations of the bank with immediate effect and an appropriate timeliness to say one year should be given us to comply with conditions required to be met for obtaining Small Finance Bank License.

The Board of Directors gives assurance for putting concrete efforts for the revival of Bank and restoration of banking license in the forthcoming years.

#### **FUTURE OUTLOOK**

The Indian banking system is well regulated by the country's dynamic central bank and follows global gold standards in terms of corporate governance and risk management practices. The industry has recently witnessed the roll out of innovative banking models such as payments and small finance banks to aid the restructuring of the domestic banking industry and financial inclusion to a greater depth.

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 less cash economy.

In the past 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 undeserved masses are still out of reach to avail banking services. Whereas digitalization and less cash economy will lead this sector to reach every citizen of the country and make them able to deal in 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.





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 policies of the government such as PradhanMantri Jan DhanYojna, Atmanirabhar Bharat and others, have led to a commendable growth in the industry. The initiative of digital banking units (DBU) has touched the farfetched region of the country for providing banking facilities. The vision behind this initiative to deepen the effort for financial inclusion and make undeserved masses part of digital banking.

Small Finance Banks, an innovative private sector entrant in the Indian banking system with emphasis on financial inclusion, are a category created by the RBI in 2016 under the guidance of Government of India. The mandate for SFBs is to use technology-driven low-cost operations to provide banking products to the undeserved masses. This encompasses small and medium business units, medium industries, other unorganized sector entities, and various income groups. The priority is to fulfill the financial needs at affordable prices of one and all, in every nook and corner of the country, leaving no socio-economic group unbanked and unserved for financial needs. The SFB space has huge untapped business potential which can turn out to be a catalyst of financial inclusion and lead the socio-economic growth trajectory of India to newer height. The Reserve Bank of India also issued guidelines for "on tap" banking license for small finance bank in private sector vide its circular in December, 2019.

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 highest standards of corporate governance.

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

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the Annual Return in Form MGT 7 for the Company, as on March 31, 2022, is available on the Company's website on <https://www.vlabl.com>.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

Pursuant to Section 186(11) of the Companies Act, 2013, the provisions of Section 186 of the 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. Albeit the company has advanced amount of Rs. 1,30,000,00/- (Rs. One Crore Thirty Lakhs Only) as unsecured loan to a few borrowers in financial year 2019-2020, out of which loan of Rs. Thirty Five lakhs together with interest were received back but due to outbreak of COVID-19 remaining balance could not be realized. In respect to the said loans Rs. 1,21,56,429/- (Rs. One Crore Twenty One Lakh Fifty





Six Thousand Four Hundred and Twenty Nine Only) is outstanding at the end of reporting financial year.

There are no particulars of investments made by the Bank to be disclosed in Schedule 8 of the financial statements as per the applicable provisions of the Banking Regulation Act, 1949.

#### RELATED PARTY TRANSACTIONS

During the year, the bank has not entered into any materially significant transactions with its Promoters, Directors, Management, Subsidiaries or Relative of the Directors/Management, which could lead to potential conflict of interest between the Bank and these parties, other than transactions entered into in the ordinary course of its business. Thus, there were no transactions with related parties, which were not in normal course of the business of the Bank, nor any transactions with related parties or others, which were not on an arm's length basis. However, 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** to this Report.

#### CHANGE IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

The way digitalization encouraged and adopted by the banking sector, a banking entity must be possessed with pool of people who have expertise in Technology & Digital Transition. In commensurate of the said need Ms. Shikha Bhardwaj (DIN:07013436) was inducted to the board of directors of the company with effect from March 30, 2022 in capacity of additional director (non-executive). Her period of office will be till the date of Twenty Second Annual General Meeting or the last date on which the Annual General Meeting should have been held, whichever is earlier. Inclusion of Ms. Shikha will also improve composition of board in terms of gender equality. She has over 12 years of professional experience in strategy building, technology implementation & up gradation, business development at large and fast growing business across the globe. She is also associated with Head tree INC as global CEO and prior to that she was associated as business analyst & product manager with various renowned brands such as JAVA, Hybris, Oracle Apps, Fino one, Vodafone, Barclays etc. Her addition on the Board of Directors of the Company will definitely bring expertise for technology up gradation and business development in line with digitization era.

During the year under review appointment of Mr. Pawan Kumar Agarwal (DIN:09017439) has been regularized as director (Non-executive) of the company in Twenty First Annual General Meeting held on September 29, 2021.

There were no other changes in composition of Board of Directors and KMP of the Company during the period under review.





### MANAGEMENT, BOARD OF DIRECTORS & ITS MEETING

The schedule in respect of the meetings of the Board/Committee thereof to be held during the financial year and for the ensuing Annual General meeting is circulated in advance to the members of the Board. During the year under review, Five meetings of the Board of Directors were held on June 30, 2021, September 04, 2021, November 24, 2021, January 31, 2022 and March 30, 2022. The intervening gap between two consecutive meetings was within the period as prescribed under the relevant provisions of the Companies Act, 2013 read with relevant rules made thereunder (including any modifications and relaxations made thereof for the time being in force) along with Secretarial Standards on Board Meetings as amended from time to time. The requisite quorum was present for all the meetings of the Board held during the Financial Year 2021-22.

At March 31, 2022 the Board of Directors consisted of Five Directors 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 2022 are set out in the following table:

Name of Director	Board Meeting attended during the year	Attendance at Last AGM (September 29, 2021)
Ram Jiwan Gupta (DIN:00824679)	5/5	Present
Gajanand Gupta (DIN:01819397)	5/5	Present
Dheer Singh(DIN:08516102)	5/5	Present
Pawan Kumar Agarwal (DIN:09017439)	5/5	Present
Ms. Shikha (DIN:07013436)	0/0	Not applicable

### BOARD EVALUATION

The Board of Directors has carried out an annual evaluation of the Board and individual director pursuant to the provisions of the act. However, performance of all directors evaluated, taking into account the views of all the directors such as board composition and structure, effectiveness of board processes, information and functioning etc.

### RETIREMENT BY ROTATION

In terms of Section 152 of the Companies Act, 2013, Sh. R.J. Gupta (DIN:00824679), would retire by rotation at the forthcoming AGM and is eligible for re-appointment. He has offered himself for re-appointment.





### **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:

- a) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) The Directors had 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 at the end of the financial year and of profit and loss of the bank for that year;
- c) The Directors had 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;
- d) The Directors had prepared the annual accounts on a going concern basis;
- e) The Directors have laid down internal financial controls to be followed and that such internal financial controls are adequate and were operating effectively; and
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

### **STATUTORY AUDITORS**

The Statutory Auditors of the bank M/s Ajay Bohra and Associates, Chartered Accountants, Jaipur (Firm Registration No. 005916C), were appointed for a term of three years as the Statutory Auditors of the Bank to hold office until the conclusion of 22nd Annual General Meeting at a remuneration mutually agreed upon by the board of directors and statutory auditors. Their office of period will expire on conclusion of ensuing Annual General Meeting. Your board of directors has recommended their re-appointment as statutory auditors for a further term of three years.

The report given by the Auditors forms part of the Annual Report. 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. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Company have not reported any instances of frauds committed in the Bank by its officers or employees.

### **INTERNAL CONTROL AND ITS ADEQUACY**

The Bank has adequate internal controls and processes in place with respect to its financial statements which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. These controls and processes are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically. The





Bank has a mechanism of testing the controls at regular intervals for their design and operating effectiveness to ascertain the reliability and authenticity of financial information.

#### **RISK MANAGEMENT POLICY**

The Bank has developed and implemented a Risk Management Policy covering the possible risks that may be incurred by the Company.

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

Pursuant to Section 134(3)(m) of the Act and Rule 8(3) of the Companies (Accounts) Rules, 2014, relevant information and details for the financial year 2021-22 are given hereunder:

(i) **CONSERVATION OF ENERGY:**

The Company's activities involve low energy consumption. However, efforts are continuously made to conserve and minimize energy usage and improve energy efficiency at the Company's workplaces and properties.

(ii) **TECHNOLOGY ABSORPTION:**

The Company being a non operational banking Company, there is no material information on technology absorption to be furnished. The Company continues to adopt and use the latest technologies to improve the efficiency and effectiveness of its business operations.

(iii) **FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The provisions relating to Section 134(3)(m) of the Companies Act, 2013 on particulars relating to Foreign Exchange Earning and Outgo are not applicable to a Banking Company. However, there was no Foreign Exchange earnings and outgo during the Financial Year 2021-22.

#### **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 31<sup>st</sup> March, 2022 and hence no particulars are required to be disclosed in this Report.

However, a nominal amount as sitting fees together with reimbursement of travelling expenses paid to the directors for attending the board/committee meeting. Further Sh. R.J.Gupta and Sh. Pawan Kumar Agarwal directors of the company, received professional fees and reimbursement





of travelling expenses on monthly basis for providing their services under their respective professional competence.

#### **CORPORATE SOCIAL RESPONSIBILITY**

As Bank is not allowed to undertake banking operations therefore, 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.

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

There were no female employees employed in the Company. Further, the requirement to constitute Internal Complaints Committee is not applicable to the Company during the year under review.

#### **INDUSTRIAL RELATIONS**

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

#### **COMPLIANCE WITH SECRETARIAL STANDARDS**

The Bank has devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems are adequate and operating effectively.

#### **SUBSIDIARY/JOINT VENTURES**

The Bank has not entered into any Joint Venture and does not have any Subsidiary.

#### **GREEN INITIATIVES**

The Ministry of Corporate Affairs ("MCA") has provided with a welcoming facility of service of notice/documents by a company to its shareholders can now be made through electronic mode. After this great initiative taken by the MCA the companies are no longer required to give Notice including annual report in physical to the stakeholders. They can provide in electronic mode at the Registered E-mail Id of the stakeholders.





In view of the said concern we request all the stakeholders to get their E-mail registered with the bank so to get the annual reports at the E-mail instead through paper mode. Also, registering your e-mail address with us will ensure that we can directly connect with you and no important communication from our side is missed by you as a shareholder of the bank.

#### **ACKNOWLEDGEMENTS**

Your Directors are grateful to the Government of India, Reserve Bank of India, Ministry of Corporate Affairs and other regulatory agencies for their continued co-operation, support and guidance.

Your directors place on record their appreciation for the hard work and dedication of all the employees and their support services, especially during the difficult times of the pandemic. Your Directors wish to express their gratitude to the Members for their trust and support.

Last and most importantly, your directors remain extremely grateful to the medical fraternity, frontline workers and other first-hand responders who continue to work tirelessly in an endeavour to overcome the pandemic.

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

  
**R.J. Gupta**  
**Chairman**  
**DIN: 00824679**

**Place: Sikar, Rajasthan.**  
**Date: September 01, 2022.**





**Annexure to the Directors' Report**

**Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form 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 including certain arm's length transactions under third proviso thereto**

**1. Details of contracts or arrangements or transactions not at arm's length basis: NIL**

- (a) Name(s) of the related party and nature of relationship: N.A.
- (b) Nature of contracts/arrangements/transactions: N.A.
- (c) Duration of the contracts / arrangements/transactions: N.A.
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A.
- (e) Justification for entering into such contracts or arrangements or transactions: N.A.
- (f) Date(s) of approval by the Board: N.A.
- (g) Amount paid as advances, if any: N.A.
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: N.A.

**2. Details of material contracts or arrangement or transactions at arm's length basis: NIL**

- (a) Name(s) of the related party and nature of relationship: N.A.
- (b) Nature of contracts/arrangements/transactions: N.A.
- (c) Duration of the contracts / arrangements/transactions: N.A.
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A.
- (e) Date(s) of approval by the Board, if any: N.A.
- (f) Amount paid as advances, if any: N.A.

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

  
**R.J. Gupta**  
Chairman  
DIN:00824679

**Place: Sikar, Rajasthan.  
Date: September 01, 2022**

