

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

**BALANCE SHEET AS ON 31ST MARCH 2015**

(Rs. in thousands)

	Schedule	As on 31.03.2015	As on 31.03.2014
<b>CAPITAL &amp; LIABILITIES :</b>			
Capital	1	2845	2845
Reserves & Surplus	2	25940292	22693122
Deposits	3	256498623	226456831
Borrowings	4	403761	2595817
Other Liabilities and Provisions	5	14649000	12233730
	TOTAL	<b>297494521</b>	<b>263982345</b>
<b>ASSETS :</b>			
Cash and balances with Reserve Bank of India	6	12716468	10339027
Balances with Banks and Money at Call and Short Notice	7	1632274	3764941
Investments	8	76711055	67718908
Advances	9	193359462	171438500
Fixed Assets	10	1273044	1168840
Other Assets	11	11802218	9552129
	TOTAL	<b>297494521</b>	<b>263982345</b>
Contingent Liabilities	12	79746385	64132987
Bills for Collection		10900230	7695716
Significant Accounting Policies	17		
Notes form part of Accounts	18		
The Schedules referred to above form an integral part of the Balance Sheet			

sd/-  
H S Upendra kamath  
**Managing Director & CEO**

sd/-  
B.Prabaharan

sd/-  
S.R.Aravind Kumar

sd/-  
P.Mahendavel

sd/-  
T.Rajakumar  
**Director**

sd/-  
K.N.Rajan

sd/-  
K.V.Rajan

sd/-  
A.Shidambaranathan

sd/-  
S.Sundar  
**Directors**

sd/-  
V.V.D.N.Vikraman  
**Directors**

sd/-  
P.Yesuthasen  
**Directors**

sd/-  
S.Selvan Rajadurai  
**Chief General Manager**

sd/-  
T.Prabhakar  
**General Manager**

sd/-  
M.Gunasekaran  
**General Manager**

sd/-  
S.Kandavelu  
**General Manager**

sd/-  
N.Devadas  
**General Manager**

sd/-  
C.S.Deepak  
**Company Secretary**

Vide our report of even date attached  
**For Maharaj N R Suresh And Co.**  
FRN No. 01931S

Thoothukudi  
01.06.2015

sd/-  
N.R.Jayadevan  
Chartered Accountants  
Partner (M.No.23838)

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015**

		( Rs. in thousands)	
		YEAR ENDED	
	Schedule	31.03.2015	31.03.2014
<b>I. INCOME</b>			
Interest earned	13	28355315	27026551
Other Income	14	2918822	2201341
	TOTAL	31274137	29227892
<b>II. EXPENDITURE</b>			
Interest Expended	15	19521048	18204817
Operating Expenses	16	5679420	4892626
Provisions & Contingencies		2279650	3122780
	TOTAL	27480118	26220223
<b>III. PROFIT / LOSS</b>			
Net Profit for the year		3794019	3007669
Add : Profit brought forward		38566	11272
	TOTAL	3832585	3018941
<b>IV. APPROPRIATIONS</b>			
Transfer to statutory reserve		1140000	902500
Transfer to other reserves		1890000	1300000
Transfer to capital reserve		57510	
Transfer to Investment reserve		9360	7400
Transfer to Special Reserve 36(1)(viii) <u>Dividend</u>		175000	238000
Interim Dividend & Dividend tax paid		307195	299517
Interim Dividend payable		199118	199118
Tax on Interim Dividend		40536	33840
Balance carried over to Balance Sheet		13866	38566
Face value of the equity share is Rs.10/-			
	TOTAL	3832585	3018941
Earning per share (Basic and Diluted) (Rs)		13338	10573
Significant Accounting Policies	17		
Notes form part of Accounts	18		
The Schedules referred to above form an integral part of the Profit & Loss Account.			

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Vide our report of even date attached  
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sd/-  
N.R.Jayadevan  
Chartered Accountants  
Partner (M.No.23838)

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

Schedules to Balance Sheet		(Rs. in Thousands)	
SCHEDULE I - CAPITAL		As on 31.03.2015	As on 31.03.2014
Authorised Equity Capital 1,00,00,000 Equity Shares of Rs.10/- each		100000	100000
Issued, Subscribed, Called-up and Paid-up Capital 2,84,454 Equity Shares of Rs.10/- each		2845	2845
TOTAL		2845	2845

SCHEDULE 2 - RESERVES AND SURPLUS		As on 31.03.2015	As on 31.03.2014
I. Statutory Reserves			
Opening Balance		7647786	6745286
Additions during the year		1140000	902500
TOTAL		8787786	7647786
II Capital Reserve			
Opening Balance		51763	51763
Additions during the year		57510	Nil
TOTAL		109273	51763
III Revenue and Other Reserves			
Opening Balance		14391007	13083607
Deductions during the year		Nil	Nil
Additions during the year		1899360	1307400
TOTAL		16290367	14391007
IV Special Reserve U/s.36(1)(viii) of I.T.Act			
Opening Balance		564000	326000
Additions during the year		175000	238000
Deductions during the year		Nil	Nil
TOTAL		739000	564000
V Balance in Profit and Loss Account		13866	38566
TOTAL : (I, II, III, IV & V)		25940292	22693122

SCHEDULE 3 - DEPOSITS		As on 31.03.2015	As on 31.03.2014
A. I. Demand Deposits			
I) From Banks		37	286
ii) From Others		17594406	15648601
II. Savings Bank Deposits		32777138	27817204
III. Term Deposits			
I) From Banks		3420000	10570000
ii) From Others		202707042	172420740
TOTAL		256498623	226456831
B. I. Deposits of Branches in India		256498623	226456831
II. Deposits of Branches outside India		Nil	Nil

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Balance Sheet</b>		<b>(Rs. in Thousands)</b>	
<b>SCHEDULE 4 - BORROWINGS</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
I.	Borrowings in India		
	i. Reserve Bank of India	Nil	1700000
	ii. Other Banks	Nil	Nil
	iii. Other Institutions and Agencies	403761	895817
II.	Borrowings outside India	Nil	Nil
	TOTAL	403761	2595817
	Secured borrowings included in I and II above	Nil	Nil

<b>SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
I.	Bills Payable	1306785	1214825
II.	Inter Office Adjustments (Net)	Nil	Nil
III.	Interest Accrued	1688820	1454293
IV.	Deferred Tax liability	902977	1013253
V.	Others ( Including Provisions )	10750418	8551359
	TOTAL	14649000	12233730

<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
	Cash in hand	2038945	1067312
	Balance with Reserve Bank of India in Current Account	10677523	9271715
	TOTAL	12716468	10339027

<b>SCHEDULE 7-BALANCES WITH BANKS &amp; MONEY AT CALL AND SHORT NOTICE</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
I.	In India		
	i) Balances with Banks		
	a) In current accounts	286131	295902
	b) In other Deposits	600000	2000000
	ii) Money at call and short notice		
	a)With Banks	Nil	950000
	b)With other institutions	250000	Nil
	TOTAL	1136131	3245902
II.	Outside India		
	a) In current accounts	191143	519039
	b) In other Deposits	305000	Nil
	TOTAL	496143	519039
	GRAND TOTAL	1632274	3764941

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Balance Sheet</b>		<b>(Rs. in Thousands)</b>	
<b>SCHEDULE 8 - INVESTMENTS</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
<b>I)</b>	<b>Investments in India</b>		
i.	Government securities	66416539	59671485
ii.	Other approved securities	Nil	Nil
iii.	Shares	239085	77838
iv.	Debentures & Bonds	7044043	5292359
v.	Others - Mutual Fund, Commercial Paper	2586398	2197807
	Deposit with NABARD (RIDF)	424990	479419
	TOTAL	76711055	67718908
	Gross Investments	76876427	67813767
	Less: Depreciation	165372	94859
	TOTAL	76711055	67718908
<b>II.</b>	<b>Investments outside India</b>	Nil	Nil

<b>SCHEDULE 9 - ADVANCES</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
A. i)	Bills purchased and discounted	5127776	4633176
ii)	Cash credits, overdrafts and loans repayable on demand	111500601	106270228
iii)	Term Loans	76731085	60535096
	TOTAL	193359462	171438500
B. i)	Secured by tangible assets	190681293	168035902
ii)	Covered by Bank / Government Guarantee	80272	119425
iii)	Unsecured	2597897	3283173
	TOTAL	193359462	171438500
C.	Advances in India		
i)	Priority Sector	94531203	84249910
ii)	Public Sector	7977784	2755790
iii)	Banks	Nil	Nil
iv)	Others	90850475	84432800
	TOTAL	193359462	171438500

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Balance Sheet</b>		<b>(Rs. in Thousands)</b>	
<b>SCHEDULE 10 - FIXED ASSETS</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
I	Premises		
	At cost as on March 31, preceding year	526319	526238
	Additions during the year	36192	654
	TOTAL *	562511	526892
	Deductions during the year		573
		562511	526319
	Depreciation to date	193954	187941
	TOTAL	368557	338378
II	Other Fixed Assets ( including furniture and fixtures)		
	At cost as on March 31, preceding year	2262408	1865470
	Additions during the year	409969	405946
	TOTAL	2672377	2271416
	Deductions during the year	4405	9008
		2667972	2262408
	Depreciation to date	1763485	1431946
	TOTAL	904487	830462
	* - Includes building under construction at cost (Rs.in thousands) 9386 (Previous year Nil)		
	GRAND TOTAL (I & II)	1273044	1168840

<b>SCHEDULE 11 - OTHER ASSETS</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
I	Inter-Office adjustments (Net)	---	---
II	Interest accrued	2089847	1797766
III	Tax paid in advance / tax deducted at source	6220876	4720240
IV	Stationery and stamps	8780	7293
V	Non-Banking Assets acquired in satisfaction of claims	Nil	Nil
VI	Deferred Tax Asset	278421	207528
VII	Other Assets	3204294	2819302
	TOTAL	11802218	9552129

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Balance Sheet</b>		<b>(Rs. in Thousands)</b>	
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		<b>As on 31.03.2015</b>	<b>As on 31.03.2014</b>
I	Claims against the Bank not acknowledged as debts	93904	112077
II	Liability on account of outstanding forward exchange contracts	50923802	38290328
III	Guarantee given on behalf of constituents in India	19814883	18562624
IV	Acceptances, endorsements and other obligations	8521033	7151163
V	Estimated amount of contracts remaining to be executed on capital account not provided for and Liab.under DEAF	392763	16795
<b>TOTAL</b>		<b>79746385</b>	<b>64132987</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

		<b>For the year ended (Rs. in Thousands)</b>	
<b>SCHEDULE 13 - INTEREST EARNED</b>		<b>31.03.2015</b>	<b>31.03.2014</b>
I	Interest / discount on advances / bills	21826334	21635315
II	Income on investments	6059815	5176709
III	Interest on balances with Reserve Bank of India and other inter-bank funds	429097	205929
IV	Others	40069	8598
<b>TOTAL</b>		<b>28355315</b>	<b>27026551</b>

<b>SCHEDULE 14 - OTHER INCOME</b>		<b>31.03.2015</b>	<b>31.03.2014</b>
I	Commission, exchange and brokerage	924229	854773
II	Profit on sale of investments	496163	124326
	Loss on sale of investments	(42734)	(23837)
III	Profit on revaluation of investments	--	--
IV	Profit on sale of land, building and other assets	1194	1453
	Loss on sale of land, building and other assets	(1481)	(2612)
V	Profit on exchange transactions	284721	273001
VI	Miscellaneous income	1256730	974237
<b>TOTAL</b>		<b>2918822</b>	<b>2201341</b>

**TAMILNAD MERCANTILE BANK LIMITED , THOOTHUKUDI**

<b>Schedules to Profit &amp; Loss Account</b>		<b>For the year ended (Rs. in Thousands)</b>	
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		<b>31.03.2015</b>	<b>31.03.2014</b>
I	Interest on deposits	19150965	17827279
II	Interest on Reserve Bank of India / Inter-Bank borrowings	119711	117768
III	Others	250372	259770
TOTAL		19521048	18204817

<b>SCHEDULE16 - OPERATING EXPENSES</b>		<b>31.03.2015</b>	<b>31.03.2014</b>
I	Payment to and provisions for employees	3152369	2838598
II	Rent, taxes and lightings	515186	426018
III	Printing and stationery	87058	85268
IV	Advertisement and publicity	98287	86887
V	@ Depreciation on Bank's Property	337553	229371
VI	Directors Fees Allowances & Exp.	11919	7643
VII	Auditors' fees and expenses (including branch auditors)	9684	8593
VIII	Law charges	3309	3199
IX	Postages, telegrams, telephones, etc.	140119	83967
X	Repairs and maintenance	190207	136510
XI	Insurance	222303	196468
XII	Other expenditure	911426	790104
TOTAL		5679420	4892626

@ Depreciation for the year includes Rs 430.09 lakhs being the carrying amount after retaining the Residual value of assets whose useful life is Nil as on 1st April 2014 charged to profit and loss in accordance with Schedule II to the Companies Act,2013.

**TAMILNAD MERCANTILE BANK LIMITED**

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> March 2015.

**SCHEDULE – 17: SIGNIFICANT ACCOUNTING POLICIES**

**1. GENERAL:**

**A. Basis of Preparation**

The financial statements have been prepared on ongoing concern concept, historical cost convention and conform to statutory provisions and practices prevailing within the banking industry. The financial statements have been prepared in accordance with the requirements prescribed under the Third schedule (Form A and Form B) of the Banking Regulations Act 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements confirm to the guidelines issued by the Reserve Bank of India (RBI) from time to time, the accounting standards notified under section 133 of the Companies Act 2013 read together with Paragraph 7 of the Companies (Accounts) Rules 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The items of income and expenditure are taken on accrual basis except where specifically stated and it conforms to the guidelines issued by Reserve Bank of India (RBI) for banks.

**B. Use of Estimates**

The preparation of financial statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statement and the reported income and expenses during the reporting period. Management believes that the estimates and assumptions used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

**2. FOREIGN EXCHANGE TRANSACTIONS:**

i. Foreign currency balances both, under assets and liabilities, outstanding forward exchange contracts and swaps are evaluated at the year-end rates published by FEDAI. The resultant profit / loss is shown as income / loss.

ii. Deposit accounts denominated in foreign currency such as FCNR (B) EEFC, RFC and placement of such deposits in foreign currency are recorded at year-end Foreign Exchange Dealers Association of India (FEDAI) rates. Foreign currency loan accounts are also disclosed at the year-end FEDAI rates.

iii. Contingent liabilities on account of acceptances, endorsements and other obligations including guarantees and Letters of Credit denominated in foreign currencies are translated at year-end FEDAI rates.

### 3. INVESTMENTS:

A) Classification of investments has been made as per the guidelines of Reserve Bank of India.

i) The entire investment portfolio of the Bank is classified under three categories viz. "Held to Maturity", "Available for sale" and "Held for Trading".

ii) The investments are classified for the purpose of Balance Sheet under five groups viz. (i) Government securities, (ii) Other approved securities, (iii) Shares, (iv) Debentures and Bonds and (v) Others.

B) Valuation of investments is done as follows:

i) Investments held under "Held to Maturity" are valued at cost price. Wherever the cost price is more than the face value, the premium paid is amortized over the remaining period of maturity. Profit on sale of securities under "Held to Maturity" category is initially taken to Profit & Loss account and then appropriated to Capital Reserve Account. If there is a loss it is charged to Profit & Loss account.

ii) Investments classified under "Available for Sale" category are marked to market on quarterly basis. Shares held under "Available for sale" are marked to market on weekly basis. Scrip wise appreciation / Depreciation is segregated group-wise. The Net Depreciation category wise is charged to Profit & Loss account. The Net Appreciation in any category is ignored.

iii) Investments classified under "Held for Trading" category except shares are marked to market scrip-wise on daily basis. Shares held under "Held for Trading" are marked to market on weekly basis. The net depreciation group wise is charged to Profit and Loss account and the net appreciation is ignored.

iv) Investments are valued at year-end as per RBI guidelines as follows:

a) Central Government Securities are valued as per price list published by Fixed Income Money Market and derivatives Association of India (FIMMDA).

b) State Government Securities and Other Approved Securities are valued after appropriate mark up over Yield to Maturity (YTM) rates for Central Government securities declared by FIMMDA.

- c) Debenture and Bonds have been valued with appropriate mark up over the YTM rates for Central Government Securities declared by FIMMDA.
- d) Quoted shares are valued at market rates quoted on NSE.
- e) 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.
- f) Preference shares are valued at YTM, if dividend is received regularly. Where dividend is in arrears, appropriate depreciation is provided based on the number of years for which dividend is in arrears as per RBI guidelines.
- g) Mutual Fund units are valued at market rates/NAV/ Repurchase price as applicable.
- h) Treasury bills, certificate of deposits and commercial papers are valued at carrying cost.
- i) Provisions for investments are made as per RBI prudential norms.

C. Prudential norms: Securities guaranteed by the State Government where the principal / interest is due but not paid for a period of more than 90 days are treated as non performing investments and appropriate provision is made and interest in respect of such investments is recognized as income only on cash basis.

D. (i) In terms of the instructions of RBI, the excess of acquisition cost over face value of securities kept under "Held to Maturity" category is amortized up to the date of maturity and the amount amortized is reflected as a deduction in Profit & Loss account Schedule 13 – Interest Earned, under item II – Income on Investments.

(ii) Brokerage / Commission / Stamp Duty paid in connection with acquisition of securities are treated as revenue expenses.

#### E. Accounting for REPO Transactions

Repo and reverse Repo transactions are accounted in accordance with the extant RBI guidelines. Securities purchased/sold under Liquidity Adjustment Facility (LAF) with RBI are debited/credited to Investment account and reversed on maturity of the transaction. Interest expended /earned thereon is accounted for as expenditure/revenue.

#### **4. ADVANCES AND PROVISIONS:**

a) Advances are classified into Standard, Sub-standard, Doubtful and Loss Assets and provisions for possible losses on such advances are made as per prudential norms/directions of the Board of Directors/directions issued by Reserve Bank of India from time to time. With regard to the Standard Advances, Provisions are made as per extant RBI guidelines. In addition to the specific provision made towards identified NPAs, the bank also holds floating provision.

b) In addition, the bank adopts an approach to provisioning that is based on past experience evaluation of security and other related factors.

c) Provisioning on categorized assets is done as per RBI guidelines except, based on a Board approved policy, additional specific provisions for NPAs under SS (secured) made with 25%, DF2A (NPA for 2 years) and DF2B (NPA for 3 years) @ 100% as against the RBI stipulated minimum of 15% and 40% respectively. Similarly, Education loans were provided at 100% irrespective of asset classification. On the same basis, for some selected high value NPA accounts, considering the possible potential losses, the Bank has made provision during the year up to 100% as per Board directions and the provisions so made is found to be adequate.

d) Advances disclosed are net of provisioning made for non performing assets and floating provisions, provisioning on diminution in fair value of assets on restructured accounts.

e) In case of loan accounts classified as NPA, an account may be reclassified as per performing asset if it confirms to the guidelines prescribed by RBI.

#### **5. FIXED ASSETS AND DEPRECIATION**

- a) Fixed assets are carried at cost of acquisition less accumulated depreciation. Cost includes freight, applicable duties, taxes and incidental expense related to the acquisition and installation of the asset. Except for items on which input credit is availed.
- b) Depreciation on fixed assets, except on computers and ATMs, is provided on written down value method at rates prescribed under Schedule II of the Companies Act, 2013.

- c) Depreciation on fixed assets is provided in accordance with estimated useful lives as specified in Schedule II to the Companies Act, 2013, and reckoning the residual value at 5% of the original cost of the asset except for the following .

Class of Asset	Rates of depreciation per annum
Computer Hardware & Software	33.33%

Prescribed rate

Class of Asset	Rates of depreciation per annum
Building	1.67%
Office equipment	20%
Computer Hardware & Software	33.33%
Vehicles	12.50%
Furniture and Electrical Fittings	10%

- d) The written down value of fixed Assets whose lives have expired as at 1st April 2014 after retaining the residual value have been charged to the Statement of Profit & Loss and disclosed as an exceptional item.
- e) Depreciation on additions is pro rata basis, from the date of capitalization.
- f) Expenditure during construction/capital works pending completion is shown at cost.

## 6. EMPLOYEE BENEFITS

- a) In respect of provident fund the bank pays fixed contribution at predetermined rates to a separate trust, which invests in permitted securities. The obligation of the Bank is limited to such fixed contribution.
- b) The bank has adopted AS-15 (Revised) "Employee Benefits" of the companies (Accounting Standards) Rules, 2006.

- c) Annual contribution to Gratuity Fund, Pension Fund, Leave and other long term employee benefit plans are provided for on the basis of actuarial valuation at the year end. In respect of defined contributory pension scheme, provision at predetermined rate is made.
- d) The actuarial gain / loss is recognized in the profit and loss account.

## **7. TAXES ON INCOME**

Income Tax comprises current tax and deferred tax as per Accounting Standard-22. Current tax is made on estimated tax liability using the applicable tax rates. The deferred on tax Asset / Liability is recognized in accordance with the applicable Accounting Standard.

## **8. REVENUE RECOGNITION:**

Income and expenditure is generally accounted on accrual basis except in the following cases.

- i) In the case of NPAs, Income is recognized on cash basis, in terms of guidelines of Reserve Bank of India. Where recovery is not adequate to upgrade the NPA accounts by way of regularization, such recovery is being appropriated towards interest in the first instance and towards the principal/book values thereafter, except in the case of suit filed accounts. In case of Non-performing investments (NPIs), the same accounting treatment as above is followed except otherwise agreed.
- ii) Dividend on investments in shares, units of mutual fund, income from sale of mutual fund products, locker rent, Insurance claims, commission on LCs, income on auxiliary services and other services, overdue charges on bills, commission on Government business and insurance business are accounted on cash/realization basis.
- iii) Income related to credit card is accounted on the basis of the bills raised.
- iv) In the case of suit filed accounts, legal expenses are charged to the profit and loss account. Similarly, at the time of recovery of legal expenses, in respect of such suit filed accounts, the amount recovered is accounted as income.

## **9. EARNINGS PER SHARE**

The bank reports basic and diluted earnings per share in accordance with applicable Accounting Standard-20. For the year under reference, both Basic and diluted earning per share being the same, is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the period.

## **10. CASH FLOW STATEMENT**

The Bank has adopted the respective Accounting Standard prescribed under Companies (Accounting Standard) Rules, 2006 and follows indirect method.

## **11. PRIOR PERIOD ITEMS**

The Bank follows the instruction given by RBI in this regard.

## **12. SEGMENT REPORTING**

As per RBI guidelines on enhancement of disclosure relating to segment reporting under AS-17, the reportable segments have been divided into treasury, corporate / wholesale, retail banking operations.

## **13. RELATED PARTY DISCLOSURE**

The Bank has adopted the respective Accounting Standard and the guidelines of the RBI.

## **14. CONTINGENCIES**

Loss, if any from contingencies arising from claims, litigation, assessment, fines, penalties etc are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

## **15. IMPAIRMENT OF ASSETS**

Impairment losses, if any, on fixed assets are recognized in accordance with the Accounting Standard 28 'impairment of assets' and charged to profit and loss account.

## **16. NET PROFIT**

The net profit is arrived at after provisions for:

- i) direct taxes
- ii) possible losses on standard assets, restructured advances, NPAs and other contingencies
- iii) depreciation / diminution on investments
- iv) employee retirement benefits and
- v) Other usual and necessary provisions.

## 17. INTANGIBLE ASSETS

In respect of Intangible Assets, the Bank has adopted the respective Accounting Standard (AS26)

## 18. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) As per the Accounting Standard 29 the bank recognises provisions only when it has a present obligation as a result of past event, it is probable that an outflow of resources is required to settle the obligation and when a reliable estimate of the amount can be made. The required disclosure for contingent liability is made on possible obligation that arises from past events, the existence of which depends on occurrence or non occurrence of future event not under control.

b) Contingent assets are not recognized in the financial statement since this may result in the recognition of income that may never be realized.

sd/-  
H S Upendra Kamath  
Managing Director & CEO

sd/-  
B. Prabakaran

sd/-  
S.R. Aravind Kumar

sd/-  
P.Mahendavel

sd/-  
T. Rajakumar  
Director

sd/-  
K.N Rajan

sd/-  
K.V Rajan

sd/-  
A.Shidambaranathan

sd/-  
S.Sundar  
Directors

sd/-  
V.V.D.N. Vikraman  
Directors

sd/-  
P.Yesuthasen  
Directors

sd/-  
S.Selvan Rajadurai  
Chief General Manager

sd/-  
T.Prabhakar  
General Manager

sd/-  
M.Gunasekaran  
General Manager

sd/-  
S.Kandavelu  
General Manager

sd/-  
N.Devadas  
General Manager

sd/-  
C.S Deepak  
Company Secretary

Vide our report of even date attached  
For Maharaj N R Suresh And Co.  
FRN No. 01931S

Thoothukudi  
01.06.2015

sd/-  
Chartered Accountants  
N.R Jayadevan  
Partner (M.No.23838)

**TAMILNAD MERCANTILE BANK LIMITED**

57, V.E ROAD, THOOTHUKUDI-628002

**SCHEDULE – 18:**

**NOTES FORM PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2015**

1. The Financial Statements have been prepared in conformity with Forms A & B of the Schedule III to the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules 2014 to the extent applicable and practices generally prevalent in the banking industry in India.
2. During the year, all the 430 branches have been subjected to statutory audit.
3. Reconciliation of inter branch / office adjustment accounts has been completed up to 31.03.2015
4. (i) In accordance with RBI guidelines, the investments portfolio of the Bank has been classified into three categories as given below:

<b>Category</b>	<b>Book value (Rs.in crore)</b>	<b>% to total investments</b>
Held to Maturity	5755.34	75.03%
Available for Sale	1650.55	21.52%
Held for Trading	265.21	3.45%
Total	7671.10	100.00%

SLR securities under 'Held to Maturity' category accounted for 22.38% of Bank's Demand and Time Liabilities as on 31.03.2015 as against the ceiling of 23.50% stipulated by Reserve Bank of India.

(ii) During the year, the excess of acquisition cost over face value of securities kept under 'Held to Maturity' category was amortized up to the date of maturity and the amortized amount for the year aggregates to Rs.7.51 crore (previous year Rs.6.12 crore). As per Reserve Bank of India guidelines, the said amount has been reflected as a deduction in Schedule 13 – Interest Earned, under item II – 'Income on Investments'.

(iii) Interest received on sale of securities for Rs.677.66 crore (previous year Rs.185.87 crore) and interest paid on purchase of securities Rs.700.28 crore (previous year Rs.202.71 crore) have been netted and shown under the head 'Income on Investments'.

(iv) There was sale of Central Government securities out of 'Held to Maturity' category totally for Rs.401.26 crore (face value Rs.420.00 crore) and profit booked was Rs.12.45 crore during the year (previous year – Nil)

(v) There was no shifting of securities during the year.

**5. Additional disclosures**  
**A. Capital**

Items	Current Year		Previous Year	
	Basel II	Basel III	Basel II	Basel III
Common Equity Tier I capital ratio (%)	13.30	13.29	15.10	14.96
Tier I capital (%)	13.30	13.29	15.10	14.96
Tier II Capital (%)	0.61	0.60	0.63	0.63
Total Capital Ratio (CRAR%)	13.91	13.89	15.73	15.59
Percentage of the shareholding of the Government of India in public sector banks	NA		NA	
Amount of equity capital raised				
Amount of Additional Tier 1 capital raised of which	Nil		Nil	
PNCPS:				
PDI:				
Amount of Tier 2 capital raised;	Nil		Nil	
Of which				
Debt capital instrument:	Nil		Nil	
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares/ Redeemable Non-Cumulative Preference Shares/ Redeemable Cumulative Preference Shares]				

**B. i. Investments**

(Rs. In crore)

Items	Current Year	Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	7687.64	6781.38
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	16.54	9.48
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	7671.10	6771.90
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	9.48	9.06
(ii) Add: Provisions made during the year	15.03	5.17
(iii) Less: Write-off/ write-back of excess provisions during the year	7.97	4.75
(iv) Closing balance	16.54	9.48

**ii. Repo Transactions (In face value terms) :**

(Rs. In crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As on March 31, 2015
Securities sold under repos				
1. Government Securities	11.00	339.00	73.11	--
2. Corporate Debt Securities				
Securities sold under MSF				
1. Govt. Securities	5.00	210.00	5.37	--
2. Corporate Debt				
Securities purchased under reverse repos				
1. Government Securities	5.00	650.00	39.78	--
2. Corporate Debt Securities				

### iii. Non-SLR Investment Portfolio

#### a) Issuer composition of Non SLR investments

(Rs. in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	32.01	10.00	0.00	0.00	0.11
(ii)	FIs	538.39	325.01	0.00	0.00	0.00
(iii)	Banks	357.04	86.00	5.00	0.00	0.00
(iv)	Private Corporate	72.45	19.75	0.00	0.00	0.00
(v)	Subsidiaries/ Joint Venture	0.00	0.00	0.00	0.00	0.00
(vi)	Others (RIDF MF & Others)	46.10	0.00	0.00	0.00	0.00
(vii)	Provision held towards depreciation	(16.54)	0.00	0.00	0.00	0.00
	<b>Total</b>	1029.45	440.76	5.00	0.00	0.11

The amounts reported under columns 4, 5, 6, and 7 need not be mutually exclusive.

(Rs.in crore)

	31.03.2015	31.03.2014
Shares	23.91	7.78
Debentures and Bonds	704.40	529.24
Subsidiaries and Joint Ventures	0.00	0.00
Others (COD+CP+NABARD+MF)	301.14	267.72
<b>Total</b>	1029.45	804.74

#### b) Non performing Non-SLR investments

(Amount in Rs.)

Particulars	Amount
Opening balance – net of provisions	1
Additions during the year	Nil
Reductions during the above period	Nil
Closing balance	1
<b>Total provisions held</b>	3,79,999

### C. Derivatives

The Bank has not entered into any forward rate agreement/interest rate swap or exchange traded interest rate derivative during the year.

**D. Asset Quality****i. a. Non-Performing Asset**

(Rs. in Crore)		
Items	Current Year	Previous Year
(i) Net NPAs to Net Advances (%)	0.67	1.22
(ii) Movement of NPAs (Gross)		
(a) Opening balance	428.02	214.45
(b) Additions during the year	463.69	684.29
(c) Reductions during the year	573.03	470.72
(d) Closing balance	318.68	428.02
(iii) Movement of Net NPAs		
(a) Opening balance	209.75*	106.76*
(b) Additions during the year	278.61	313.09
(c) Reductions during the year	352.83	210.10
(d) Closing balance	135.53*	209.75*
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance		
(b) Provisions made during the year	218.27	107.37
(c) Write-off/ write-back of excess provisions	185.08	371.20
(d) Closing balance	220.20	260.30
	183.15	218.27

\*Amount received includes claim received from ECGC / DICGC / CGTMSE of Rs.1.25 Crore (Previous year Rs.0.43 Crore) and amount held in sundries account in respect of Non Performing Accounts Rs.5.32 crores.

**i.b.** Non-performing Loan Provisioning coverage Ratio is 74.74%

**ii. Movement of NPAs**

(Rs.in Crore)

Particulars	Amount as on 31.03.2015	Amount as on 31.03.2014
Gross NPAs as on 1.04.2014 (Opening Balance)	428.02	214.45
Additions (Fresh NPAs) during the year	463.69	684.29
Sub-total (A)	891.71	898.74
Less:-		
(i) Upgradations	241.74	270.42
(ii) Recoveries (excluding recoveries made from upgraded accounts)	276.19	170.72
(iii) Technical/Prudential write-offs	55.10	29.58
(iii) Write-offs	-	-
Sub-total (B)	573.03	470.72
Gross NPAs as on 31.03.2015 (closing balance) (A-B)	318.68	428.02

**Stock of Technical write-offs and the recoveries made thereon:**

(Rs.in crore)

Particulars	Current year	Previous year
Opening balance of Technical/Prudential written-off accounts as on 01.04.2014	176.46	157.72
Add: Technical/Prudential write-offs during the year	55.10	29.58
Sub-total (A)	231.56	187.30
Less: Recoveries made from previously technical/ prudential written-off accounts during the year	18.67	10.84
Closing balance as on 31.03.2015	212.89	176.46

**(iii) Sector-wise NPAs**

	Sector	Percentage of NPAs to Total Advances in that sector as on 31.03.2015	Percentage of NPAs to Total Advances in that sector as on 31.03.2014
1	Agriculture & allied activities	0.88%	0.53%
2	Industry (Micro & small, Medium and Large)	2.00%	4.63%
3	Services	1.51%	1.24%
4	Personal Loans	1.64%	2.44%

**(iv) Concentration of NPAs**

(Rs. in Crore)

	As on 31.03.2015	As on 31.03.2014
Total Exposure to top four NPA accounts	96.42	202.34

**v. Details of Loan assets subjected to Restructuring**

(Rs.in Crore)

S. No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	3	-	-	-	3	-	-	-	-	-	99	3	13	9	124	102	3	13	9	127
		Amount outstanding	173.66	-	-	-	173.66	-	-	-	-	-	293.15	20.08	3.31	0.05	316.59	466.81	20.08	3.31	0.05	490.25
		Provision thereon	8.68	-	-	-	8.68	-	-	-	-	-	10.55	7.85	0.92	0.05	19.37	19.23	7.85	0.92	0.05	28.05
2	Fresh restructuring during the year	No. of borrowers	3	-	-	-	3	-	-	-	-	-	76	-	-	-	76	79	-	-	-	79
		Amount outstanding	400.14	-	-	-	400.14	-	-	-	-	-	57.01	-	-	-	57.01	457.15	-	-	-	457.15
		Provision Thereon	20.01	-	-	-	20.01	-	-	-	-	-	2.85	-	-	-	2.85	22.86	-	-	-	22.86
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2	-2	-	-	-	2	-2	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.11	-0.11	-	-	-	0.11	-0.11	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.01	-0.01	-	-	-	0.01	-0.01	-	-	-

S. No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total						
	Asset Classification		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total		
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers											-30					-30					-30	
		Amount outstanding												213.45					213.45					213.45
		Provision thereon												7.52					7.52					7.52
5	Down gradation of restructured accounts during the FY	No. of borrowers	-1	1									-6	2	0	4		-7	3	0	4			
		Amount outstanding	-24.18	24.18										-2.06	1.95		0.11		-26.24	26.13		0.11		
		Provision thereon	-1.21	1.21										-0.04	0.03		0.01		-1.25	1.24		0.01		
6	Write-offs of restructured accounts during the FY	No. of borrowers													-1					-1				-1
		Amount outstanding														-12.62					-12.62			

S. No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total
7	Restructured Accounts as on March 31 of the FY(closing figure*)	No. of borrowers	5	1	-	-	6	-	-	-	-	-	118	3	10	12	143	123	4	10	12	149
		Amount outstanding	563.38	31.61	-	-	594.99	-	-	-	-	-	98.38	0.80	32.14	0.21	131.53	661.76	32.41	32.14	0.21	726.52
		Provision thereon	28.17	6.38	-	-	34.55	-	-	-	-	-	4.53	0.20	12.06	0.21	17.00	32.70	6.58	12.06	0.21	51.55

\*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight

**vi. Details of financial assets sold to Securitization / Reconstruction Company**

**for Asset Reconstruction**

(Rs. in crore)

Item	2014-15	2013-14
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain/loss over net book value.	Nil	Nil

**vii. Details of non performing financial assets purchased/sold**

a. Details of non performing financial assets purchased: (Rs. in crore)

Particulars	2014-15	2013-14
1.a) No of accounts purchased during the year	Nil	Nil
b) Aggregate outstanding	Nil	Nil
2.a) Of these number of accounts restructured during the year	Nil	Nil
b) Aggregate outstanding	Nil	Nil

b. Details of non performing financial assets sold : (Rs. In crore)

Particulars	2014-15	2013-14
1. No of accounts sold	Nil	Nil
2. Aggregate outstanding	Nil	Nil
3. Aggregate consideration received	Nil	Nil

**viii.. Provisions on Standard Asset**

(Rs. in crore)

Item	As at 31.03.15	As at 31.03.14
Provisions towards Standard Assets	96.14	75.22

**ix. Floating Provisions**

(Rs. in crore)

	<b>Current year</b>	<b>Previous Year</b>
Opening balance of floating provisions	23.58	22.58
The quantum of floating provisions made during the year	2.34	1.00
Amount of draw down made during the year	0.00	0.00
Closing balance	25.92	23.58

**E. Draw Down from Reserves**

The bank has not made any draw down from the reserves during the year (previous year Nil).

**F. Business Ratios**

<b>Items</b>	<b>Current year</b>	<b>Previous year</b>
(i) Interest Income as a percentage to Working Funds \$	10.28%	10.73%
(ii) Non-interest income as a percentage to Working Funds \$	1.06%	0.87%
(iii) Operating Profit as a percentage to Working Funds \$	2.20%	2.43%
(iv) Return on Assets@	1.38%	1.19%
(v) Business (Deposits plus advances) per employee # (Rs. in lakhs)	1083.85	1074.71
(vi) Profit per employee (Rs. in lakhs)	9.21	8.35

@ 'Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

# For the purpose of computation of business per employee (deposits plus advances) inter bank deposits are excluded.

## G. Asset Liability Management

Maturity pattern of certain items of assets and liabilities:

(Rs. in crore)

	Deposits	Advances	Investments	Borrowings	Foreign Currency assets	Foreign Currency liabilities
1 day	68.03	354.74	38.65	0.00	27.57	23.76
2 to 7 days	311.77	307.80	299.86	0.00	31.87	0.06
8 to 14 days	612.90	351.29	124.74	0.00	2.05	0.00
15 to 28 days	288.50	739.15	239.95	0.00	7.32	0.26
29 days to 3 months	2924.49	1276.32	883.97	0.00	10.65	1.33
Over 3 months and up to 6 months	2341.74	1229.49	490.06	0.00	5.71	3.74
Over 6 months and up to 1 year	6602.10	1806.12	1549.43	20.38	3.16	5.49
Over 1 year and up to 3 years	9693.75	9864.10	3034.18	20.00	0.00	15.61
Over 3 years and up to 5 years	1753.04	1809.72	484.79	0.00	2.85	15.53
Over 5 years	1053.55	1597.21	525.48	0.00	1.95	0.00
<b>TOTAL</b>	<b>25649.87</b>	<b>19335.94</b>	<b>7671.11</b>	<b>40.38</b>	<b>93.13</b>	<b>65.78</b>

The above data has been compiled on the basis of guidelines of RBI and certain assumptions made by the management have been relied upon by the auditors.

## H. Lending to Sensitive Sector

### i. Exposure to Real Estate Sector

Rs. in crore

Category	Current Year Exposure	Previous Year Exposure
l) <i>Direct exposure</i>		
(a) Residential Mortgages – Lending fully secured by Mortgages on residential properties that are or will be occupied by the borrower or that is rented	1483.32	1336.54
<b>of which</b> Individual housing loans eligible for inclusion in priority sector advances	933.91	852.76
(b) Commercial Real Estate –		

Lending fully secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure included non-fund based (NFB) limits also;	241.59	183.87
(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	Nil	Nil
a. Residential,	Nil	Nil
b. Commercial Real Estate.	8.03	11.96
II) <i>Indirect Exposure</i>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

## ii. Exposure to Capital Market

(Rs. In Crore)

Particulars	Current Year	Previous Year
i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	43.95	15.25
(ii) advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	3.42	4.05
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.00	0.00

(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	52.33	120.13
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	23.48	29.35
(vi) loans sanctioned to corporate against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
(vii) bridge loans to companies against expected equity flows/issues;	Nil	Nil
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
(ix) financing to stockbrokers for margin trading;	Nil	Nil
(x) all exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
<b>Total Exposure to Capital Market</b>	<b>123.18</b>	<b>168.78</b>

### iii. Risk Category wise Country Exposure

Rs. In crore

<b>Risk Category</b>	<b>Exposure (net) as at March 31, 2015</b>	<b>Provision held as at March 31, 2015</b>	<b>Exposure (net) as at March 31, 2014</b>	<b>Provision held as at March 31, 2014</b>
Insignificant	291.19	Nil	151.46	Nil
Low risk	121.70	Nil	99.49	Nil
Moderately	13.09	Nil	64.08	Nil
High risk	0.00	Nil	0.00	Nil
Very high risk	0.00	Nil	0.00	Nil
Restricted	0.00	Nil	0.00	Nil
Off-credit	0.00	Nil	0.00	Nil
<b>Total</b>	<b>425.98</b>	<b>Nil</b>	<b>315.03</b>	<b>Nil</b>

As the country-wise net funded exposure does not exceed 1% of the Bank's total assets for any country, no provision is required for the risk involved.

**iv. Details of single borrower limit (SBL)/group borrower limit (GBL) exceeded by the Bank.**

a) Details of single borrower limit in excess of the prudential exposure limits of RBI

- Nil -

b) Details of Group borrower limit exceeded by the bank: Nil

**I. Miscellaneous**

**i. Amount of Provisions made for Income-tax and Wealth tax during the year;**

	Rs. in crore	
	<b>Current year</b>	<b>Previous year</b>
Provision for Income Tax & Wealth Tax	181.07	79.07

**ii. Penalties imposed on the Bank by RBI** : RBI has imposed a penalty towards Mutilated and FICN notes amounting to Rs.41,150/- during the year 2014-15 (Previous year "Nil")

**iii. Special reserve:** As per section 36(1) (viii) of I.T.Act 1961, the bank has created a special reserve of Rs.17.50 Crore during the year 2014-15.

**iv. Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account**

(Rs. in crore)

	Current Year	Previous Year
Depreciation on Investment	--	4.34
Diminution on Investment	0.10	1.99
Provision towards NPA	17.76	139.73
Provision towards Standard Asset	20.92	10.68
Floating provision for Advances	2.34	1.00
Provision made for Taxation	181.07	79.07
Deferred Tax	(18.12)	74.67
Provision for unhedged Foreign currency exposure	2.03	--
Others :Diminution in fair value - Restructured Advances	21.86	0.79
<b>Total</b>	<b>227.96</b>	<b>312.27</b>

**v. Details of complaints / unimplemented awards of Banking Ombudsman**

<b>A. customer complaints *</b>	
Number of complaints pending at the beginning of the year	--
Number of complaints received during the year	236
Number of complaints redressed during the year	236
Number of complaints pending at the end of the year	--
* - including ATM compliants	
<b>B. Awards passed by the Banking Ombudsman</b>	
Number of Unimplemented awards at the beginning of the year	--
Number of awards passed by the Banking Ombudsman during the year	--
Number of awards implemented during the year	--
Number of unimplemented awards pending at the end of the year	--

**vi. Letter of Comfort disclosure**

(Rs. In crore)

Letter of comfort issued in earlier years and outstanding as on 01.04.2014	1256.03
Add: Letter of comfort issued during the year	4438.67
Less: Letter of comfort expired during the year	4299.40
Letter of comfort outstanding as on 31.03.2015	1395.30

vii. The details of fees / remuneration received during the year in respect of Bancassurance business undertaken.

(Rs.in Lakhs)

<b>Commission on Bancassurance</b>	31-03-2015	31-03-2014
Non – Life Insurance – Net of Service Tax	319.96	249.21
Mutual Fund Products	0.00	0.00
Life Insurance – Net of Service Tax	95.27	125.36

**viii. Concentration of Deposits**

(Rs.in Crore)

	31-03-2015	31-03-2014
Total Deposits of twenty largest depositors	3884.82	3419.01
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	15.10%	15.09%

**ix. Concentration of Advances**

(Rs. in Crore)

	31-03-2015	31-03-2014
Total Advances to twenty largest borrowers	2596.74	2377.30
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	13.28%	13.69%

**x. Concentration of Exposures**

(Rs. in Crore)

	31-03-2015	31-03-2014
Total Exposure to twenty largest borrowers/customers	3489.46	3190.43
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	13.53%	11.51%

**xi. Off-balance Sheet SPVs sponsored**

Name of the SPV sponsored			
<u>Domestic</u>		<u>Overseas</u>	
31-03-2015	31-03-2014	31-03-2015	31-03-2014
NIL	NIL	NIL	NIL

**xi. Overseas Assets, NPAs and Revenue**

Particulars	Amount (Rupees in Crore)	
	31-03-2015	31-03-2014
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

## 6. Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for Notes on Accounts:

**6.1.** There were no material prior period Income /Expenditure requiring disclosure as per AS 5.

**6.2.** The heads of income recognized on cash basis are neither material enough nor do they require disclosure under AS 9 on Revenue Recognition.

**6.3** The company has changed the method of providing depreciation from 1st April 2014 as required by the Companies Act, 2013. Accordingly depreciation is provided in accordance with Schedule II thereof for the current year as against the rates specified in Schedule XIV to the Companies Act, 1956 adopted in the previous year. As a result, depreciation for the current year is higher by Rs 198.76 lakhs.

### 6.4 Accounting Standard -15 : Employee Benefits

	2014-15		2013-14		2012-13		2011-12		2010-11	
	Gratuity	Pension								
<b>(i) Principal actuarial assumption used</b>										
Discount Rate	7.75%	7.75%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Rate of return on Plan Assets	9.15%	7.30%	9.05%	6.80%	9.45%	6.00%	9.40%	5.00%	9.40%	4.50%
Salary Escalation	6.50%	6.50%	7.00%	7.00%	6.00%	6.00%	4.50%	4.50%	4.50%	4.50%
<b>(ii) Change in Benefit Obligation:</b>										
Liability at the beginning of the year	10067.00	31571.00	9221.00	28004.00	8027.84	23856.23	6430.67	18678.67	5047.56	13367.28
Interest Cost	734.00	2258.00	698.76	1161.25	610.80	1749.30	492.38	1474.19	110.39	967.81
Current Service Cost	727.00	2434.00	421.66	2038.68	446.00	1268.00	328.80	950.30	378.15	5605.43
Benefit paid	1199.00	4876.00	973.00	5041.00	801.00	4058.00	562.78	512.37	641.40	2539.29
Actuarial (gain) / loss on obligation	1015.00	4404.00	698.68	5408.57	937.36	5188.47	1338.77	3265.44	1535.97	1277.44
Liability at the end of the year	11344.00	35791.00	10067.10	31571.50	9221.00	28004.00	8027.84	23856.23	6430.67	18678.67
<b>(iii) Fair value of Plan Assets:</b>										
Fair value of Plan Assets at the beginning of the year	9030.00	25431.00	9221.00	28004.00	6009.31	24284.00	5101.86	12524.57	4614.53	10310.15
Expected return on Plan Assets	858.00	2004.00	874.41	1548.84	582.47	1532.72	332.93	1075.44	436.05	501.32
Contributions	0.00	615.00	1037.00	661.00	1117.00	6618.00	1470.00	11470.82	690.05	4200.12
Benefit paid	1199.00	4876.00	973.00	5041.00	801.00	4058.00	562.78	512.37	641.40	2539.29
Actuarial Gain / (loss) on Plan Assets	1039.00	6312.00	-1129.41	258.16	2525.79	-372.72	-332.70	-223.25	2.63	52.26
Fair value of Plan Assets at the End of the year	9728.00	29486.00	9030.00	25431.00	9221.00	28004.00	6009.31	24335.21	5101.86	12524.56
<b>(iv) Actual return on Plan Assets:</b>										
Expected Return on Plan Assets	858.00	2004.00	874.41	1548.84	582.47	1532.72	332.93	1075.44	436.05	501.32
Actuarial gain / (loss) on Plan Assets	1039.00	6312.00	-1129.41	258.16	2525.79	-372.72	-332.70	-223.25	2.63	52.27
Actual return on Plan Assets	1897.00	8316.00	-255	1807.00	2895.69	1160.00	0.23	852.19	438.68	553.59

<b>(v) Amount recognized in the Balance Sheet:</b>										
Liability at the end of the year	11344.00	35791.00	10067.10	31571.50	9221.00	28004.00	8027.84	23856.23	6430.67	18678.67
Fair value of Plan Assets at the End of the year	9728.00	29486.00	9030.00	25431.00	9221.00	28004.00	6009.31	24335.21	5101.86	12524.56
Difference	1616.00	6305.00	1037.10	6140.50	0.00	0.00	2018.53	-478.98	1328.81	6154.11
Amount Recognized in the Balance Sheet	1616.00	6305.00	1037.10	6140.50	0.00	0.00	2018.53	-478.98	1328.81	6154.11
<b>(vi) Expenses recognized in The Income Statement:</b>										
Current Service Cost	727.00	2434.00	421.66	2038.68	446.00	1268.00	328.80	950.30	110.39	5605.43
Interest Cost	734.00	2258.00	698.76	1161.25	610.80	1749.30	492.38	1474.19	378.15	967.81
Expected Return on Plan Assets	858.00	2004.00	874.41	1548.84	582.47	1532.72	332.93	1075.44	436.05	501.32
Actuarial Gain or Loss	-24.00	-1908.00	1828.09	5150.41	-1375.86	5561.19	1671.47	3488.69	1533.33	1225.18
Expenses Recognized in P & L	579.00	780.00	2074.10	6801.50	-901.53	7045.77	2159.72	4837.74	1585.84	7297.09

**Details of Provisions made for Other Long term Employee Benefits :**

(Rs.in crore)

S.no.	Other Long Term Benefits	2014-15	2013-14	2012-13	2011-12
1	Leave Encashment	8.18	6.27	4.53	3.74
2	Sick Leave	3.62	3.45	4.04	1.81

**6.5 Accounting Standard-17: Segment Reporting**

**PART A: Operational Segments:**

(Rs. in crore)

Particulars	For the year ended 31.03.2015				For the year ended 31.03.2014			
	Treasury	Corporate/Wholesale Banking	Retail Banking	Total	Treasury	Corporate/Wholesale Banking	Retail Banking	Total
Revenue	700.25	774.54	1652.63	3127.42	550.87	691.16	1680.76	2922.79
Result (Profit+)/Loss(-)	200.56	109.84	234.36	544.76	104.34	102.43	249.09	455.86
Unallocated income /Expenses				(15.71)				76.02
Operating Profit				560.47				379.84
Income Tax & Wealth Tax				181.07				79.07
Extraordinary Profit								
Net Profit				379.40				300.77

Other Information	As at 31.03.2015				As at 31.03.2014			
	Segment assets	8138.04	8558.60	12402.80	29099.44	7383.05	6598.61	11923.73
Unallocated assets				54.72				78.57
Total assets				29154.16				25983.96
Segment Liabilities	6557.44	7148.54	15252.78	28958.76	6096.71	5735.02	13946.47	25778.20
Unallocated liabilities				195.40				205.76
Total liabilities				29154.16				25983.96

Note:

1. Assets and Liabilities wherever directly related to segments have been accordingly allocated to segments and wherever not directly related have been allocated on the basis of segment revenue.

2. The Bank operates only in Domestic Segment.

3. Retail banking includes a sum of Rs.5.04 crore (previous year Rs.4.57 crore) income earned from Para-Banking.

#### **PART B –Geographic Segments**

Particulars	Domestic		International		Total	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Revenue	3127.42	2922.79	--	--	3127.42	2922.79
Assets	29154.16	25983.96	--	--	29154.16	25983.96

#### **6.6 Related Party disclosures (AS-18)**

The Bank has identified the following person to be the key management person as per AS-18 on Related Party Disclosures:

Thiru K.B Nagendra Murthy – Managing Director and Chief Executive Officer – 01.04.2013 to 08.07.2014.

A. Emoluments:

	01.04.2014 to 08.07.2014	01.04.2013 to 31.03.2014
Salary	11,40,323	37,50,000
Bank Contribution to Provident Fund	1,36,839	4,50,000
PL Encashment	5,83,333	0
Gratuity	7,00,000	0
Other Benefits	55,907	1,20,747
Total	26,16,402	43,20,747

B. Others: Nil

C. There is no other transaction with the Managing Director & CEO.

Thiru. H.S. Upendra Kamath – Managing Director and Chief Executive Officer –  
09.07.2014 to 31.03.2015.

A. Emoluments:

	09.07.2014 to 31.03.2015
Salary	30,59,677
Bank Contribution to Provident Fund	3,67,161
Other Benefits	44,363
Total	34,71,201

B. Others: Nil

C. There is no other transaction with the Managing Director & CEO.

### 6.7. Earnings Per Share (AS – 20)

Items	Amount	Amount
	2014 – 15	2013 – 14
Net Profit after Tax available for equity share holders (Rs.in Lakhs)	37940.18	30076.69
Average number of shares	2,84,454	2,84,454
Basic and Diluted EPS (in Rs.)	13338	10573
Nominal value per share (in Rs.)	10.00	10.00

### 6.8. Consolidated Financial Statements (AS – 21)

The Bank has no subsidiary and hence the need for consolidation of financial statements does not arise.

### 6.9. Accounting for Taxes on Income (AS – 22)

In respect of Income Tax, the assessment has been completed up to the Assessment Year 2012-13 (Year ended 31.03.2012). Appeals are pending with appellate authorities for various assessment years. Provision for disputed tax amounting to Rs.34.45 Crore is not considered necessary, based on judicial decisions. The management does not envisage any liability in respect of the disputed issues.

The bank had recorded the cumulative net Deferred Tax Liability of Rs.80.57 Crore relating to the period up to 31.03.2014 arising out of timing difference. The amount credited to the Profit and Loss account during the year is Rs.18.12 crore and the net Deferred Tax Liability is Rs.62.45 crore as on March 31, 2015.

The major components of deferred tax assets/liabilities as at 31.03.2015 arising out of timing difference are as follows;

(Rs. in Crore)

Particulars	Deferred tax Asset	Deferred tax Liability
Depreciation on Fixed Assets		2.81
Interest accrued on Investments		3.31
Special Reserve		25.09
Depreciation on Investments		59.08
Provisions on retirement benefit etc	16.33	
Provision for DFV on Restructured Standard Assets	7.69	
Others	3.82	
<b>Deferred tax asset/liability</b>	<b>27.84</b>	<b>90.29</b>
<b>Net Deferred Tax Liability</b>	<b>62.45</b>	

#### 6.10. Intangible assets (AS – 26)

Depreciation on software is calculated on straight line method at 33.33% in compliance with RBI guidelines.

#### 6.11 Impairment of Assets (AS – 28)

The fixed assets, mainly immovable properties, furniture fittings, the required indications prescribed in AS 28, not being met with, in the opinion of the management, there is no impairment of any asset of the Bank.

#### 6.12 Contingent Liabilities (AS – 29)

The details of provisions and contingencies, contingent liabilities, the movement of provisions on NPA's and depreciation on investment which are considered material are disclosed elsewhere in the financial statements.

#### 6.13 Movement of Provisions for Contingent Liabilities

(Amount in Lakhs)

Balance as on 01.04.2014	1121.00
Provided during the year	Nil
Amount used during the year	Nil
Reversed during the year	Nil
Balance as on 31.03.2015	1121.00

**6.14 Transfers to Depositor Education and Awareness Fund (DEAF)**

(Rs.in lakh)

Particulars	Current Year	Previous Year
Opening balance of amount transferred to DEAF	0.00	Nil
Add: Amounts transferred to DEAF during the year	3704.88	Nil
Less: Amounts reimbursed by DEAF towards claims	0.12	Nil
Closing Balance of amounts transferred to DEAF	3704.76	Nil

**6.15 Unhedged Foreign Currency Exposure** : The bank has a board approved policy dated 05.08.2014 on Unhedged Foreign Currency Exposure.

**6.16 Liquidity Coverage Ratio**

As Banks are required to disclose information on their LCR in their Annual Financial statements under Notes to Accounts starting with the financial year ending March 31, 2015, the LCR related information based on simple averages of monthly observations for the quarter ending March 2015 only is furnished below

LCR Disclosure Template – Quarter ending March 2015			
Particulars		(Rs.in Crore)	
		Total Unweighted Value (Average)	Total Weighted Value (Average)
<b>High Quality Liquid Assets</b>			
1	Total High Quality Liquid Assets (HQLA)	1890.18	1844.22
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	15974.65	1395.30
(i)	Stable deposits	4043.51	202.18
(ii)	Less stable deposits	11931.14	1193.12
3	Unsecured wholesale funding, of which:	1158.02	638.52
(i)	Operational deposits (all counterparties)	13.15	1.75
(ii)	Non-operational deposits (all counterparties)	1144.87	636.77
(iii)	Unsecured debt	0.00	0.00
4	Secured wholesale funding	524.25	6.50
5	Additional requirements, of which	0.00	0.00
(i)	Outflows related to derivative exposures and other collateral requirements	0.00	0.00
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	0.00	0.00
6	Other contractual funding obligations	2888.78	203.01
7	Other contingent funding obligations	4095.28	1609.68
8	<b>TOTAL CASH OUTFLOWS</b>	<b>24640.98</b>	<b>3853.01</b>

Cash Inflows			
9	Secured lending (e.g. reverse repos)	286.03	0.00
10	Inflows from fully performing exposures	1223.97	611.98
11	Other cash inflows	1626.71	949.20
12	TOTAL CASH INFLOWS	3136.71	1561.18
		Total Adjusted Value	
21	TOTAL HQLA	1844.22	
22	TOTAL NET CASH OUTFLOWS	2291.83	
23	LIQUIDITY COVERAGE RATIO (%)	80.4693%	

### **Qualitative disclosure about LCR::**

#### **The main drivers of LCR Results:**

LCR is computed as a % of stock of HQLA to the net cash outflows over the next 30 calendar days. The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

For all three months, i.e., January to March'15, Bank's LCR has been more than the minimum regulatory requirement of 60% for 2015 calendar year and LCR of the bank for the quarter ending March'15 stood at 80.47%.

The bank is having an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30 calendar day liquidity stress scenario.

The net cash outflows for the next 30 days has been arrived at after deducting the cash inflows from the outflows for the period. The inflows and outflows have been arrived at based on RBI prescribed haircuts and run-off factors.

#### **Composition of HQLA**

The Level 1 Assets of our bank comprises of Cash in hand & ATM, Excess CRR and SLR and MSF (2% on NDTL). Level 1 asset is the main driver of HQLA, contributing around 92% in the total HQLA of the Bank.

Level 2A and Level 2B assets are well within the cap of 40% and 15% of the stock of HQLA respectively after the required haircut.

Corporate Bonds not issued by a Bank/Financial/NBFC which have been rated AA- or above by an Eligible Credit Rating Agency have been classified under Level 2A assets. Similarly shares not issued by a Bank/FI/NBFC which have been rated not lower than BBB- have been classified under level 2B Assets.

**Outflows & Inflows:**

Deposits are the main source of funds for the Bank comprising around 86% of total liabilities.

**Currency mismatch in LCR::**

LCR is expected to be met and reported in a single currency. The bank is not having significant liabilities and HQLAs in any foreign currency.

**Description of the degree of centralization of liquidity management and interaction between the group's units:**

The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.

7. The amount of advances for which intangible securities such as charge over rights licences, authority etc., has been taken as collateral security and the value of such collateral security ----- NIL -----

8. The remuneration payment to Managing Director is subject to approval at the Annual General Meeting.

9. Pending finality of industry level bipartite settlement, a sum of Rs.14.76 crores is provided towards estimated liability for revision of salary due to employees till the financial year 2014-15.

10. The Bank held its 87<sup>th</sup> Annual General Meeting on 06-01-2010 and thereafter no Annual General Meeting has been held pursuant to the stay made by the Hon'ble High Court of Madras in a Writ Petition No.11159 of 2011, filed by a shareholder against RBI and the Bank. M/s. Suri & Co, Chartered Accountants, which were appointed as Statutory Auditors in the 87<sup>th</sup> Annual General Meeting resigned as Statutory Auditors of the Bank after completion of four years and M/s. Maharaj N R Suresh And Co, Chartered Accountants, have been appointed as Auditors of the Bank in terms of the provisions of Banking Regulations Act, 1949 and as approved by the Reserve Bank of India in their letter dated 10<sup>th</sup> October 2014.

11. In respect of certain branches/offices where additional information was required, the data available at Controlling/Head office was considered.

12. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

13. Figures have been rounded off to the nearest thousand rupees in the Financial Statements.

H S Upendra Kamath  
Managing Director & CEO

B. Prabakaran

S.R. Aravind Kumar

P.Mahendavel

T. Rajakumar  
Director

K.N Rajan

K.V Rajan

A.Shidambaranathan

S.Sundar  
Directors

V.V.D.N. Vikraman  
Directors

P.Yesuthasen  
Directors

S.Selvan Rajadurai  
Chief General Manager

T.Prabhakar  
General Manager

M.Gunasekaran  
General Manager

S.Kandavelu  
General Manager

N.Devadas  
General Manager

C.S Deepak  
Company Secretary

Vide our report of even date attached  
For Maharaj N R Suresh And Co.  
FRN No. 01931S

Thoothukudi  
01.06.2015

Chartered Accountants  
N.R Jayadevan  
Partner (M.No.23838)

**TAMILNAD MERCANTILE BANK LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2015**

	Year ended 31.03.2015	Year ended 31.03.2014
<b>Cash profit generated from operations I</b>	<b>Rs. In thousands</b>	
Net profit for the year	3,794,019	3,007,669
<u>Add/Deduct</u>		
Loss/(Profit) on sale of assets	287	1,159
Depreciation on Fixed assets	337,553	229,371
Provisions & Contingencies (incl. Deferred tax adjustments)	2,279,650	3,122,780
<b>Total</b>	<b>6,411,509</b>	<b>6,360,979</b>
<b>Cash flow from operating assets &amp; liabilities II</b>		
<u>Increase/Decrease in liabilities</u>		
Deposits	30,041,792	24,218,720
Other liabilities & Provisions	(104,035)	(3,000,531)
<u>Increase/Decrease in assets</u>		
Advances	(21,920,962)	(8,878,600)
Investments	(8,992,147)	(14,236,187)
Other assets	(2,250,089)	(1,600,184)
<b>Total</b>	<b>(3,225,441)</b>	<b>(3,496,782)</b>
<b>A Net cash flow from operating activities I + II</b>	<b>3,186,068</b>	<b>2,864,197</b>
<u>Cash flow from investing activities</u>		
Sale/disposal of fixed assets	4,118	6,426
Purchase of fixed assets	(446,161)	(406,600)
<b>B Net Cash flow from investing activities</b>	<b>(442,043)</b>	<b>(400,174)</b>
<u>Cash flow from financing activities</u>		
Interim Dividend incl. tax	(307,195)	(299,517)
Borrowings	(2,192,056)	89,993
<b>C Net Cash flow from financing activities</b>	<b>(2,499,251)</b>	<b>(209,524)</b>
<b>Total cash flow during the year (A+B+C)</b>	<b>244,774</b>	<b>2,254,499</b>
<u>Cash &amp; Cash equivalents as on 01-04-2014</u>		
Cash & bank balances with RBI	10,339,027	9,176,640
Balances with banks & money at call & short notice	3,764,941	2,672,829
<b>Total</b>	<b>14,103,968</b>	<b>11,849,469</b>
<u>Cash &amp; Cash equivalents as on 31-03-2015</u>		
Cash & bank balances with RBI	12,716,468	10,339,027
Balances with banks & money at call & short notice	1,632,274	3,764,941
<b>Total</b>	<b>14,348,742</b>	<b>14,103,968</b>
<b>Increase or decrease in cash flow</b>	<b>244,774</b>	<b>2,254,499</b>

sd/-  
H.S.Upendra Kamath  
**Managing Director & CEO**

sd/-  
B.Prabaharan

sd/-  
S.R.Aravind Kumar

sd/-  
P.Mahendavel

sd/-  
T.Rajakumar  
**Director**

sd/-  
K.N.Rajan

sd/-  
K.V.Rajan

sd/-  
A.Shidambaranathan

sd/-  
S.Sundar  
**Directors**

sd/-  
V.V.D.N.Vikraman  
**Directors**

sd/-  
P.Yesuthasen  
**Directors**

sd/-  
S.Selvan Rajadurai  
**Chief General Manager**

sd/-  
T.Prabhakar  
**General Manager**

sd/-  
M.Gunasekaran  
**General Manager**

sd/-  
S.Kandavelu  
**General Manager**

sd/-  
N.Devadas  
**General Manager**

sd/-  
C.S.Deepak  
**Company Secretary**

Vide our report of even date attached  
**For Maharaj N R Suresh And Co.**  
FRN No. 01931S

**Thoothukudi**  
**01.06.2015**

sd/-  
N.R.Jayadevan  
Chartered Accountants  
Partner (M.No.23838)

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

Registration Details

Registration No. 

		1	9	0	8
--	--	---	---	---	---

 State Code 

1	8
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	1	5
---	---	---	---

(Rupees in Thousands)

(Rupees in Thousands)

**Capital raised during the Year**

Public Issue 

				N	I	L
				N	I	L

Rights Issue 

				N	I	L
				N	I	L

Bonus Issue 

				N	I	L
--	--	--	--	---	---	---

Private Placement 

				N	I	L
--	--	--	--	---	---	---

**Position of mobilisation and Deployment of funds**

Total Liabilities 

2	9	7	4	9	4	5	2	1
---	---	---	---	---	---	---	---	---

Total Assets 

2	9	7	4	9	4	5	2	1
---	---	---	---	---	---	---	---	---

**Sources of funds**

Paid-up Capital 

				2	8	4	5

Reserves and Surplus 

2	5	9	4	0	2	9	2	
2	5	6	9	0	2	3	8	4

Secured Loans 

--	--	--	--	--	--	--	--

Unsecured Loans 

--	--	--	--	--	--	--	--

**Application of funds**

Net Fixed Assets 

		1	2	7	3	0	4	4
2	0	4	8	6	1	4	2	2

Investments 

7	6	7	1	1	0	5	5
---	---	---	---	---	---	---	---

Net Current Assets 

--	--	--	--	--	--	--	--

Miscellaneous Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses 

					N	I	L
--	--	--	--	--	---	---	---

**Performance of Company**

Turnover 

3	1	2	7	4	1	3	7
---	---	---	---	---	---	---	---

Total Expenditure 

2	5	6	6	9	4	1	8
---	---	---	---	---	---	---	---

Profit/(Loss) Before Tax 

	5	6	0	4	7	1	9
--	---	---	---	---	---	---	---

 +

Profit/(Loss) After Tax 

	3	7	9	4	0	1	9
--	---	---	---	---	---	---	---

 +

Earning per share in Rs. 

			1	3	3	3	8
--	--	--	---	---	---	---	---

Dividend Rate % 

			1	6	0	0	0
--	--	--	---	---	---	---	---

Generic names of three principal products / services of the Company (as per monetary terms)

Item Code No. : NOT APPLICABLE  
Product Description : Banking Company

sd/-  
H S Upendra Kamath  
Managing Director & CEO

sd/-  
B. Prabaharan

sd/-  
S.R. Aravind Kumar

sd/-  
P.Mahendavel

sd/-  
T. Rajakumar  
Director

sd/-  
K.N Rajan

sd/-  
K.V Rajan

sd/-  
A.Shidambaranathan

sd/-  
S.Sundar  
Directors

sd/-  
V.V.D.N. Vikraman  
Directors

sd/-  
P.Yesuthasen  
Directors

sd/-  
S.Selvan Rajadurai Directors  
Chief General Manager

sd/-  
T.Prabhakar  
General Manager

sd/-  
M.Gunasekaran  
General Manager

sd/-  
S.Kandavelu  
General Manager

sd/-  
N.Devadas  
General Manager

sd/-  
C.S Deepak  
Company Secretary

Vide our report of even date attached  
For Maharaj N R Suresh And Co.  
FRN No. 01931S

Thoothukudi  
01.06.2015

sd/-  
Chartered Accountants  
N.R Jayadevan  
Partner (M.No.23838)

# **Independent Auditor's Report**

01.06.2015

## **To the Members of Tamilnad Mercantile Bank Ltd**

### **Report on the Financial Statements**

We have audited the attached financial statements of the Tamilnad Mercantile Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2015 and the Profit and Loss account and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 14 branches / offices audited by us, 416 branches / offices audited by branch auditors.

### **Management's Responsibilities for the Financial Statements**

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provision of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the standards on Auditing specified under Section 143(1) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the bank has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanation given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March 2015, and its profit and cash flows for the year then ended.

- i. In the case of the Financial statement, of the state of affairs of the Bank as at March 31, 2015
- ii. In the case of the Profit and Loss Account of the Profit for the year ended on that date, and
- iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Emphasis of Matter**

- i. We draw attention to Note No. 10 to the financial statement with regard to our appointment as Statutory Auditors of the Bank in terms of the Reserve Bank of India approval dated 10<sup>th</sup> October 2014 pending conducting of Annual General Meeting of the Bank.

- ii. We draw attention to Note 6.9 to the financial statements, regarding deferred tax assets of Rs. 7.69 Crores on the diminution in the fair value of Standard restructured accounts, as the realisability of the same is considered certain. Our opinion is not qualified in respect of this matter

### **Report on Other Legal and Regulatory Matters**

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules 2014.
2. As required sub section 3 of Section 30 of the Banking Regulation Act 1949 and the appointment letter dated 31.10.2014 we report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
  - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank
  - c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
  - d) Financial accounting system of the Bank are centralized and therefore accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We have visited 14 branches for the purpose of our audit.
3. Further as required by Section 143(3) of the Companies Act, 2013 we further report that:

We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

- a) The Statement of affairs and Profit and Loss Account and cash flow statement dealt with by us in the report are in agreement with the books of account and with the audited returns from the branches.
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

- c) In our opinion the aforesaid financial statements comply with the accounting standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.
  - d) The reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
  - e) On the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the other matters to be include in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us
    - i. The bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 6.9
    - ii. There has been no delay in transferring amounts, required to be transferred, to the investor Education and Protection Fund by the Company.
4. Being Banking Company, the Company (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, is not applicable.

For **MAHARAJ N R SURESH AND CO.**,  
Chartered Accountants  
FRN No. : 01931S

Sd/-  
N. R. JAYADEVAN  
PARTNER  
Membership No.023838