

Annual Report



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**64TH
ANNUAL REPORT
2001-2002**

**BOMBAY MERCANTILE
CO-OPERATIVE BANK LIMITED**
(SCHEDULED BANK)

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Dr. M. RAHMAN, IAS (Retd.), Padmashri
Chairman & Administrator
Ex. Secretary Government of India
Former Vice-Chancellor, AMU Aligarh



Mr. T. A. Khan
Managing Director

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(Only for members of the Bank)

**BOMBAY MERCANTILE
CO-OPERATIVE BANK LIMITED**
(SCHEDULED BANK)



Minutes of the 64th Annual General Meeting of Members (Shareholders) of the Bombay Mercantile Co-op. Bank Ltd. held on Wednesday December 26, 2001, at Hotel Rang Sharda Auditorium, Bandra Reclamation, Bandra (West), Mumbai 400050.

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Registered Office :
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BOMBAY MERCANTILE CO-OPERATIVE BANK LIMITED
(SCHEDULED BANK)

The 64th Annual General Meeting of members (shareholders) of the Bombay Mercantile Co-operative Bank Ltd. was held on Wednesday, the 26th December 2001 at Hotel Rang Sharda Auditorium, Bandra Reclamation, Bandra (West), Mumbai 400050.

The following Directors participated in the meeting.

1. Dr. A. R. Kidwai
2. Mr. R. G. Matadar
3. Mr. Anis Ansari
4. Mr. A. Y. Nensey
5. Mr. G. A. Bhojani
6. Mr. Iftexhar Hussain
7. Mr. K. D. Khan
8. Mr. M. A. Azmi
9. Mr. Mohamedali Momin
10. Mr. M. N. Pathan
11. Prof. Riaz Umar
12. Dr. S. A. Mamujee
13. Justice Sarwar Ali
14. Mr. A. Q. Siddiqi, Managing Director

Dr. A. R. Kidwai, Chairman of the Bank presided. 666 members were present in the meeting.

At 2.30 p.m., the quorum being complete, the Chairman, Dr. A. R. Kidwai called the meeting to order and requested Mr. A. Q. Siddiqi, Managing Director to read out the Notice dated November 11, 2001, convening the meeting.

Mr. A. Q. Siddiqi, Managing Director read out the Notice dated November 11, 2001 as published in the Annual Report, already circulated.

1. Confirmation of minutes

Dr. A. R. Kidwai, Chairman then proposed that the minutes of the last Annual General Meeting held on November 27, 2000, already circulated amongst the members, may be taken as read and confirmed.

Members confirmed the minutes unanimously and Dr. A. R. Kidwai, Chairman signed the minutes.

2(a) Statutory Auditor's Report

Chairman, Dr. A. R. Kidwai, asked the Managing Director, Mr. A. Q. Siddiqi to read the Statutory Auditor's Report for the year ended March 31, 2001.

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Mr. A. Q. Siddiqi, Managing Director, read over the report of the Statutory Auditor Mr. S. K. Gupta & Co., Chartered Accountants, appointed by the Registrar of Co-operative Societies, who had audited the Bank's account for the Accounting year 2000-2001 and gave his Audit Report dated November 15, 2001 which had been published in the 63rd Annual Report and circulated to all shareholders. Members accorded their approval.

2(b) Advances to Directors and their Relatives

In compliance with Section 30 (2) of the Multi State Co-operative Societies' Act, Dr A. R. Kidwai Chairman asked the Managing Director, Mr. A. Q. Siddiqi to place before the General Body, the statement of advances to Directors or to the spouse or the son or daughter of a member of the Board during the preceding year or outstanding against him or against the said spouse or son or daughter of the member of the Board.

Mr. A. Q. Siddiqi, Managing Director, placed the statement of such advances before the General Body and stated that in terms of the RBI's guidelines, the Bank could grant advances to Directors and their relatives not exceeding 10% of the Time & Demand liabilities, which as on March 31, 2001, stood at Rs. 2336.46 crores (Two thousand three hundred thirty six crores and forty six lacs). According to the RBI guidelines, the Bank could grant advances to Directors and their relatives to the extent of Rs. 233.64 Crores (Rupees two hundred thirty three crores and sixty four lacs).

As against this, the total advances to Directors and their relatives stood at Rs. 16.29 crores (Rupees sixteen crores twenty nine lacs only) which works out to 0.69% of TDL as against 10% allowed by the RBI. Mr. A. Q. Siddiqi further stated that all loans given to Directors are regular and in order. Members approved and applauded the Statement.

2(c) Adoption of Annual Report and Audited statement of Accounts

Dr. A. R. Kidwai, Chairman, then proposed the following resolution for approval by the General Body.

"RESOLVED that the Report of the Board of Directors and the Audited Statement of the Accounts of the Bank with the Auditors' Report for the year ended March 31, 2001 be received, taken as read and be approved and adopted."

The resolution was seconded by Mr. M. N. Pathan, Director.

Chairman, Dr. A. R. Kidwai put the resolution to vote and the same was passed unanimously.

Managing Director, Mr. A. Q. Siddiqi requested the Chairman Dr. A. R. Kidwai

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to address the meeting. Dr. A. R. Kidwai addressed the audience as under:

CHAIRMAN'S SPEECH

"Dear friends and well-wishers of our Bank,

It gives me pleasure to address you second time after I took over as Chairman of the Bank. On behalf of my colleague members of the Board, I welcome you all to this Annual General Meeting to share few thoughts with you.

Dear friends, we are meeting at a very critical time, critical not only for our Bank but for the banking industry as a whole which is facing serious problems due to all round recession in the Indian economy. Unfortunately this world-wide phenomenon is causing a great strain on the financial structure.

You would appreciate that such a slowdown in the economy seriously affects the repayment of Bank dues by borrowers. I would not say that everybody is a willful defaulter. Sometimes it may be beyond one's control to repay dues, due to market conditions. Such borrowers deserve everyone's sympathy. It may, however, be appreciated that default in repayment, whether willful or otherwise, very seriously affects the Bank's financial position. Non-payment disturbs the circulation of money and assistance to other borrowers in need but more importantly according to the guidelines of RBI, the Bank has to make necessary provisions by transfer of its profits to reserves to face any eventualities arising in future. This process of making provision causes unavoidable strain and Banks are forced to show loss in the Balance Sheet due to these transfer of profits to reserves. The financial position, sometimes, causes avoidable anxiety in the minds of our shareholders as also public at large although the money transferred to reserves is in fact the strength of the Institution.

In the last few months you must have noticed that some of the Co-operative Banks in Gujarat, Andhra Pradesh and Uttar Pradesh went into difficulties due to their imprudent policy. This shook public confidence in Co-operative Movement at large, and for some time, public withdrew money or transferred its funds to other channels. However, I am glad to inform you that our Bank had not gone into irregular trading in shares, securities, etc. Further there was full support from our customers and they continued to have faith in us and no extra-ordinary withdrawals were reported at any branch in the country from our Bank during the crisis period. Let me assure you on behalf of my colleague members of the Board that there should be no worry about your Bank's financial position despite the loss shown in the Balance Sheet according to the regulatory requirements as mentioned above. No doubt, the non-performing advances is a phenomenon afflicting the banking industry in India and your bank is no exception to this disquietening situation but the severity of its impact on your Bank is more visible this year as certain bad loans in earlier years were not provided for as per the norms taking the value of securities into account, which has deteriorated due to efflux of time and recoveries through legal process were not forthcoming due to deficient provisions in the governing Acts.

The Bank, on its own part, is however, making every effort to improve its systems

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and procedures in lending, identifying the likely NPAs from earlier signals by closer follow up and ensure that non-accounts do not enter into this difficult stage of NPA.

Last time, I informed you about the organisation of a Task-Force by the Bank at Head Office, each Regional Office and each Branch for effective follow up of recovery of the dues. Members in the last Annual General Meeting had even suggested that we should hire private agencies for recovery of our dues but the experience of other Banks not being very happy we are cautiously weighing the pros and cons of such arrangement. The recoveries in NPA accounts have not been as good as we expected. We are trying to overcome the difficulties in the way of fast recoveries.

In the last Annual General Meeting, I heard some of our shareholders bringing out difficulties faced by the taxi owners who are the backbone of this Bank. Some suggestions were made for relief to taxi owners who were involved in an accident. It gives me pleasure to inform you that our Board of Directors has decided to provide timely finance for repairs of the taxi involved in an accident as also to provide relief in interest during the period the taxi remains immobile. Furthermore it has also been decided that interest relief will be given in those cases where taxi owner dies without having any earning member or is seriously injured in accident.

Considering the slackness in taxi business even the rate of interest for purchase of taxi was reduced to 13% in loans up to Rs. 2 lakhs and 14.5% per annum for loans above Rs. 2.00 lakhs.

It has also been decided that if loan instalments could not be paid due to non-supply of vehicles by the dealers or for some other genuine reasons, the payment will be rescheduled to soften the repayment burden by extending the period.

Some more difficulties were brought to our notice by one of our former colleague Director, Mr. K.G. Saleh, for simplification of procedure in issuing of NOC at the time of renewal of permit or passing of vehicle, reduction in seizure charges, processing charges etc. These charges have also been reduced.

In the last Annual General Meeting, some members had raised the question of increase in loan limit beyond Rs. 50,000/- to teachers of schools and colleges. We had examined this suggestion also. It was found that loans beyond Rs. 50,000/- against sureties are not permissible as per RBI instructions. Board of Directors have, therefore, decided to offer loans beyond Rs. 50,000/- if adequate collateral security is offered by the concerned borrowers.

Another suggestion in the last Annual General Meeting related to the improvement in the customer service and more finance to weaker section. In this connection we are making every effort to improve the customer service by making staff and officers more conscious of customer's requirements and their importance. In certain branches 'May I help you counters' have been provided for the convenience of customers. We fully appreciate that it is difficult to compete with the Private Banks with the level of technology they have but we are trying our best to provide as best

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services as possible by improving our efficiency as also by dealing with our customers with humane touch. You will be glad to know that our Bank has a plan to embark on a definite programme of total automation. The aim of this initiative is to move on from independent computerisation of branches towards nation-wide integration - to enable anywhere-banking for all its customers, in addition to streamlining all its operations by harnessing the power of Information Technology.

You will be glad to know that Bank's finance to priority sector which include small traders, self-employed etc. has exceeded the level prescribed by RBI and stood at over 62 percent of total advances as on September 29, 2001.

As regards financing of weaker sections, I had informed in the last Annual General Meeting about organisation of a Cell for Micro-Financing. It gives me pleasure to inform you that this Cell is already in operation working for finance to artisans, craftsmen, handicrafts etc, particularly those involved in handloom, chicken, silk, brassware etc. so that the cottage and small industries could be more productive for the workers and eliminate the middle men. A Model Scheme has already been inaugurated at Hyderabad Branch jointly with a Non-Governmental Organisation (NGO) and we propose to extend this to craftsmen borrowers at other centres in the country.

Our maximum efforts are concentrated towards judicious and better investment of Bank funds to increase our profitability and I need full support from all my brother shareholders in achieving this objective so that we could declare dividend to shareholders at the earliest opportunity.

You must have learnt of the Housing Scheme and Education Loan Scheme initiated by the Bank. I would suggest members to make maximum use of these schemes. I was glad to know that two of my colleagues and the Managing Director had visited Malegaon to provide assistance to riot-affected victims and loans were disbursed to some of the victims on the spot.

I, in particular, thank the shareholders for their co-operation and patience shown particularly in view of the non-payment of dividend. I am also thankful to members of the Board, shareholders and members of staff for their co-operation.

Inshallah, I hope with support of all of you and whole-hearted efforts of our staff, the Bank will be able to turn the corner and achieve its objectives as early as possible".

Chairman's speech was applauded by the audience repeatedly.

3. Appointment of Internal Auditor

Chairman Dr. A. R. Kidwai, then requested Mr. R. G. Matadar to propose the resolution for appointment of Internal Auditors for the year 2001-2002.

Mr. R. G. Matadar, Director proposed the following resolution:

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"RESOLVED that M/s. Chokshi & Chokshi Chartered, Accountants be appointed as Internal Auditor for the year 2007-2008 ending 31st March 2008 to audit the accounts of the Head Office as well as the Branches of the Bank.

In addition, M/s. Chokshi & Chokshi will perform half-yearly assessment of NPA, identification of likely NPA, quarterly revenue audit, investment audit and certification for investment portfolio and Foreign Exchange business, as per the requirements of RBI.

A consolidated fee of Rs. 17,50,000/- for the year will be paid to M/s. Chokshi & Chokshi for all these functions. No separate payment will be made for travelling and out of pocket expenses. The Service Tax presently @ 5% will continue to be paid on the consolidated fees."

The resolution was seconded by Dr. S. A. Mamujee, Director.

Chairman put the resolution to vote and the same was passed unanimously by the General Body.

4. Chairman, Dr. A. R. Kidwai then requested Prof. Riaz Umar, Director to propose amendment of bye-law No. 75(d).

Prof. Riaz Umar, Director proposed the following resolution:

RESOLVED that bye-law 75(d) be amended as under:

" The total amount of share capital held by any member under sub-clause (a), (b) and (c) shall be subject to a maximum of 1/5th of the total paid up share capital of the Bank".

The resolution was seconded by Mr. Maulana Mustaqim A. Azmi, Director .

Chairman Dr. A. R. Kidwai put the resolution to vote and the same was passed unanimously. (Employees of the Bank didn't vote).

5. Chairman, Dr. A. R. Kidwai then invited members to give their suggestions for improvement in functioning of the Bank and requested members who want to speak to send their names.

Chairman then invited them one by one and suggestions made by them were as under:

Mr. Kasamali Gulam Ali Saleh:

Mr. Kasamali Gulam Ali Saleh, former Director of the Bank congratulated the Bank for helping the taxi and auto rickshaw owners along with the weaker sections of the society. He recalled the memoranda submitted by the shareholders and decision taken by the Bank to finance taxi and auto rickshaws against one

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guarantee only with the hypothecation of the vehicle. Mr. Saleh assured the Bank for the payment of Bank dues. He, however, mentioned certain difficulties were being faced by taxi owners particularly in view of the Mumbai High Court's decision to phase out taxis which were over 15 years old by March 31, 2002 and over 18 years old by March 31, 2003. Mr. Saleh, in particular mentioned that according to the High Court's Order, all taxis 137(D) will be phased out by March 31, 2002. Mr. Saleh mentioned that this is a very harsh decision which will affect thousands of the families of taxi owners and also put in jeopardy the Bank's money given as loans against these taxis which amounts to nearly Rs. 10 to 12 crores. He wanted that Bank should intervene in the case immediately to save its finance going into loss and also help the taxi owners by getting a stay order on the High Court's decision. Mr. K. G. Saleh proposed a resolution asking the Bank to appoint a pleader to present the Bank's interest. All members present unanimously supported the same.

Mr. Kasamali Saleh mentioned that while the Bank staff in Mumbai Regions was helping taxi workers, in other States they were still insisting on collateral and two guarantors for loans against taxis. Mr. Saleh wanted the Bank to issue suitable instruction so that Bank's policy is properly implemented in other branches also.

Referring to loans to teachers, Mr. K. G. Saleh suggested simplification of procedure in giving loans particularly for those whose salary was being credited in our Bank accounts.

Mr. Saleh complained about the quality of the customer service in branches and desired the Bank to take suitable measures to improve the same keeping in view the competition from other Banks.

Mr. Saleh remembered late Mr. Z. G. Rangoonwala's efforts in establishing the Training Institute at Vashi. He requested the Bank to make full use of the facilities available there.

Mr. Saleh suggested payment of bonus to staff members and dividend to shareholders. He supported recovery efforts by the Bank and extended full support in making recoveries. Mr. Saleh suggested sending more than one person together to the defaulter's premises.

Mr. Saleh complimented the Bank on good results achieved during last six months and congratulated the Board and the Managing Director. He also requested the shareholders to pay back their dues on due dates. He also suggested that differences, if any, amongst the staff be reconciled in the interest of the Bank.

On his suggestion, members garlanded the Chairman, Managing Director and Executives. Mr. Saleh also suggested the Bank to resolve to change the name of the Bank's building to Rangoonwala Building as was prevalent earlier keeping in view the services rendered by Late Mr. Z. G. Rangoonwala. Members applauded the proposal.