

73RD Annual Report 2010-2011





Ajmer Branch new premises Inauguration on 29th January 2011, seen in the picture are - Administrator – Mr. Manjayya Shetty, Mr. Sayed Gulam Kibria, President, Anjuman Moiniya Chistiya Fakhriya Khuddam Khawaja Saheb, Ajmer, Mr. Ahmed Raza, Dargah Nazim, Ajmer and Bank's Executives.



Jaipur Branch ATM Inauguration on 29th June 2011, seen in picture are - Administrator, Mr. Manjayya Shetty, Landlord of our Jaipur Branch premises, Mr. Ramsharan Gupta, valued clients of our Jaipur Branch and Bank's Executives.

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**BOMBAY MERCANTILE
CO-OPERATIVE BANK LTD.**



**NOTICE TO MEMBERS
BOMBAY MERCANTILE CO-OPERATIVE BANK LIMITED
(Scheduled Bank)**

Registered Office:
Zain G. Rangoonwala Building,
78, Mohamedali Road, Mumbai 400 003.

NOTICE

Notice is hereby given that the 74th Annual General Meeting of the Members (shareholders) of BOMBAY MERCANTILE CO-OPERATIVE BANK LIMITED will be held on **Tuesday the 6th September 2011**, at 3.00 p.m. at **Islam Gymkhana, 75-A, Netaji Subhash Road, Marine Lines, Mumbai 400 002**, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 22nd September 2010 (enclosed herewith).
2. To consider and adopt the report of the Administrator and the audited Balance Sheet, Profit & Loss Account and Auditor's Report for the year ended 31st March 2011.
3. To appoint Auditors and fix their remuneration.
4. To consider the Annual Budget of the Bank for the year 2011-12.

ADMINISTRATOR

Mumbai, 10th July 2011

Note: If there is no quorum within half an hour after the appointed time, the meeting shall stand adjourned to 3.30 p.m. on the same day and the Agenda of the original meeting shall be transacted at the said venue, irrespective of the rule of quorum, in terms of Bye-law No.39.

Any Member desiring information pertaining to accounts is requested to write to the Bank at least six days in advance of the date of the Annual General Meeting.



**BOMBAY MERCANTILE
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Mr. Manjaya C. Shetty

Administrator

ADVISORY COMMITTEE MEMBERS

Mr. M. Zakauallah Siddiqui
Mr. Rasheed A. Maskati
Mr. K. Suresh Rao
Mr. Kasamali G. Saleh
Mr. Rashid Oomer
Mr. N. N. Patel - I.A.S. (Rtd.)

EXECUTIVES OF THE BANK

ASST. GENERAL MANAGERS

Mr. S.S. Qazilbash
Mr. Saiyed Mohsin Husain
Mr. Zakaria A. Memon
Mr. Azam Abbas

ON CONTRACT

Mr. A.G.A.K. Solanki
Asst. General Manager

INTERNAL AUDITORS

M/s. Pradhan Phadke & Associates
Chartered Accountants
Mumbai.

STATUTORY AUDITORS

M/s. NBS & Co.
Chartered Accountants
Mumbai.

Registered Office:

Zain G. Rangoonwala Building, 78, Mohamedali Road, Mumbai 400 003.
www.bmcbankltd.com

Date of Registration : 2nd June, 1939

No. & Date of RBI Licence : ACD. MH.221.P dated 22nd September, 1980

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**BOMBAY MERCANTILE
CO-OPERATIVE BANK LTD.**



ADMINISTRATOR'S REPORT

Esteemed friends and fellow co-operators,

It gives me immense pleasure in presenting the 73rd Annual Report on the working of your Bank along with the audited Balance Sheet as on 31st March 2011 and the Profit & Loss Account for the year ended 31st March 2011.

ECONOMIC SCENARIO

The Indian economy is estimated to have grown by 8.6% during the year 2010 – 11. Agriculture growth following a good monsoon was above trend. Industrial production grew by 10.4% during the first half of 2011, moderated subsequently, bringing down the overall growth for the year 2010 – 11 to 7.8%.

The inflationary situation in the economy continue to be a cause for concern despite large scale tightening of the monetary policy by RBI and other steps taken by the Government, inflation continues to remain close to the double digit mark. High international oil prices likely decontrol of diesel prices, high global food prices and hike in minimum support price are some of the factors that constitutes the upside risk to inflation.

In the current economic scenario, Banks are expected to play a very important role in promoting growth and development as also promoting financial improvement is making Banks vital change agents for social and economic transformation in India.

DEPOSITS

The aggregate deposits of the Bank as of 31st March, 2011 amounted to ₹ 2275.28 crores inclusive of Long Term Deposits. The Core Deposits of the Bank have increased to ₹ 2115.07 crores as of 31st March 2011 from ₹ 1945.25 crores as on 31st March 2010 an increase of ₹ 169.82 crores. The Long Term Deposits (LTD) which the Bank had mobilized to augment its Tier II capital stood at ₹ 160.21 crores as of 31st March 2011. The Bank is exploring avenues to gainfully deploy these funds. The payment of premium of DICGC on the deposit of the Bank is up to date.

The increase in deposits especially the low cost deposits which constitutes 56.65% of total deposits is a sign of confidence and trust bestowed in our Bank by our esteemed customers and depositors.

ADVANCES

It is our endeavour to increase the good quality of advances as per the RBI guidelines and Bank's Credit Policy. The Bank could increase the overall advances from the level of ₹ 939.90 crores as at the end of the preceding year, i.e. 31st March 2010 to ₹ 999.97 crores, during the year under review, an overall net increase of ₹ 60.07 crores. Your Bank has sanctioned total advances of over ₹ 300 crores during the year. However, due to regular recoveries in standard account, NPA recoveries etc. the resultant increase is ₹ 60.07 crores. The Bank's excellent performance prompted the Reserve Bank of India to relax its directives and increase its cap on total advances to ₹ 1200.00 crores from ₹ 973.00 crores. We are continuing with our efforts for increasing good quality advances. The mortgage loans introduced by the Bank have been viable and remunerative and have yielded substantial income to the Bank.

FOREIGN EXCHANGE

Your Bank has been catering to the needs of exporters and

importers through trade finance transactions carried out by your Bank since the year 1975. Our Foreign Exchange Department, Mumbai, as well as other Category 'B' Branches have handled the export, non-export and inter-bank business aggregating to ₹ 1256.00 crores during the financial year ended 31.3.2011 as compared to the aggregate turnover of ₹ 1192.00 crores during the previous corresponding period. Similarly, your Bank handled the import, non-import transactions including inter-bank aggregating to ₹ 1258.00 crores as on 31.3.2011 as compared to the aggregate turnover of ₹ 1191.00 crores in the previous corresponding period.

The overall turnover of ₹ 2514.00 crores have been recorded during the current year as against the overall turnover of ₹ 2383.00 crores in the preceding year.

Our Bank also provides pre-shipment and post-shipment finances to the exporter client and also meeting the requirements of the importer clients by allowing facility for establishing Letters of Credit for the importation of raw materials / finished goods as required by them from time to time.

Our advances to the importer and exporter clients stood at ₹ 45.02 crores as on 31.3.2011 at Foreign Exchange Department Mumbai.

NPAS AND RECOVERIES

The Bank's total NPAs for the previous year were ₹ 158.09 crores. The Bank continues its efforts for recovery by personal follow-up by Bank's staff / recovery teams, filing of Arbitration cases, by initiating action under Securitization Act etc. During the year under review, the Bank could recover ₹ 22.65 crores of NPAs and ₹ 2.98 crores in Principal Receivable Accounts aggregating to ₹ 25.63 crores. Moreover, the Settlement Advisory Committee under the Chairmanship of Retired High Court Judge, Justice A.S. Qureishi, continued its good work in assessing chronic NPAs wherein the borrowers / guarantors are either dead or missing, no securities were available and the possibility of recoveries were remote. During the year under review, the Bank transferred ₹ 34.96 crores to Principal Receivable Accounts. The Gross NPAs of the Bank stood at ₹ 138.76 crores as of 31st March 2011.

PROFITABILITY

The Bank has posted an operating profit of ₹ 36.63 crores and a net profit of ₹ 20.06 crores during the year under review inclusive of the monies received from the sale of Bank's surplus properties and after making the required provisioning for Reserves, Standard Assets and amortization of its treasury transactions as required under RBI guidelines. This has resulted into reducing the accumulated losses from ₹ 47.06 crores to ₹ 26.99 crores as of 31st March 2011.

TREASURY OPERATIONS

The total investments of the Bank as on 31st March 2011 stood at ₹ 1205.95 crores against ₹ 1081.63 crores as on 31st March 2010 which shows increase of ₹ 124.32 crores during the year. The Bank has earned revenue of ₹ 81.99 crores from Treasury operations, including profit of ₹ 1.00 crore in trading of securities. The Bank has transferred ₹ 1.00 crore to Investment Fluctuation Reserves during the year.

The profit from treasury operations is of ₹ 8.80 crores during the year.



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OWNED FUNDS

The paid up share capital of the Bank has shown appreciable improvement. The paid-up share capital which stood at ₹ 33.53 crores as of 31st March 2010 increased to ₹ 38.24 crores as of 31st March 2011. Efforts are being made to increase the share capital of the Bank as per share linkage norms.

The Statutory Reserve Fund has been invested in approved securities as per the accepted norms.

The position of various Reserves as compared to the previous financial year is as under:

Name of Reserve	(Amount in lacs.)	
	31-03-2011	31-03-2010
Statutory Reserve	1187.66	1181.00
Building Fund	618.00	618.00
Dividend Equalisation Fund	35.00	35.00
Bad & Doubtful Debts Reserve	9567.89	13063.95
Bad & Doubtful Debts Reserve Investment	1451.77	1451.77
Contingent Provision against Standard Assets	486.88	382.80
Investment Depreciation Reserve	----	2368.08
Investment Fluctuation Reserve	561.00	461.00
Members Welfare Fund	8.00	8.00
Common Good Fund	10.31	10.31
Revaluation Reserve	1503.14	1682.43
Reserve for Frauds & Other Assets	311.56	281.56
General Reserves	177.13	177.13
Reserve – Cont. Prov. Against Dep in Invnt	3248.81	----
Total	19167.15	21721.03

WORKING CAPITAL

The working capital of the Bank which was ₹ 2307.51 crores at the end of the previous year has now increased to ₹ 2556.05 crores as of 31st March 2011.

MEMBERSHIP

The members of the Bank stood at 1,90,137 share holders as on 31st March 2011 as against 1,88,678 share holders as on 31st March 2010. The number of nominal members as on 31st March 2011 were 10,515 as against 12,902 as on 31st March 2010. The nominal membership has decreased from 6.8% of the total membership to 5.53% as against 20% of the total membership permitted by the Reserve Bank of India.

INSPECTION & AUDIT

The Inspection & Audit Department of the Bank conducts audits of the Branches and Departments of Head Office periodically on an on-going basis. The Rectification Cell monitors and supervises the work of rectification of audit irregularities reported by the Bank's Auditors, Concurrent Auditors and Internal Auditors.

As laid down by Reserve Bank of India, Branches and Head Office Departments falling within the provided parameters are covered under Concurrent Audit.

The Apex Audit Committee, constituted as per the RBI guidelines, meets at prescribed intervals to review the audit reports and suggest remedial measures in details with proper and adequate follow-up thereof.

Mr. Innocent Soren, Deputy General Manager, Reserve Bank of India, along with his team, conducted the inspection of the Bank under Section 35 of the Banking Regulation Act (as applicable to Co-operative Societies) from 24th May 2011 to 13th June 2011 for the year 2010 - 2011. The suggestions made by the inspecting Officials during the course of inspection are being implemented for the improvement/development of the Bank.

As per the Provisions of Multi State Co-operative Societies Act 2002, Annual General Body Meeting held on 22nd September 2010, approved the appointment of M/s. NBS & Co., a firm of Chartered Accountants, as Statutory Auditors, to audit the Bank's Books of Accounts for the year ended 31st March 2011. Whereas, M/s. Pradhan Phadke & Associates, a firm of Chartered Accountants, were appointed as Internal Auditors for the year 2010 -11. They have audited the Books of Accounts of the Bank for the year ending 31st March 2011.

COMPUTERIZATION

As communicated earlier with RBI granting permission for implementation of core banking solution, the Bank has so far successfully completed migration of data at 34 Branches. It is our endeavour that by 31st December 2011, the migration of data of entire 52 Branches will be completed. Till date, the Bank has installed 9 ATMs at its various Branches in Mumbai and Outstation. Permission for setting up of Bank's own Data Centre and Disaster Recovery Centre from the RBI is on the anvil. Once the permission is granted, there will be inter connectivity amongst the Branches of the Bank spread over 10 States which will help in monitoring and over seeing Banking operations, besides providing Anywhere Banking facility to our customers. Your Bank is also planning on implementation of Core Banking and ATMs at all Branches to share the Network with other Banks..

ACKNOWLEDGEMENT

We acknowledge our gratitude to Reserve Bank of India for their guidance and unstinted support. Central Registrar of Co-operative Societies, New Delhi, Commissioner for Co-operation Maharashtra State, Pune, Registrar of Co-operative Societies of all the other States where our Bank has its Branches and to the Ministry of Agriculture and Co-operation, New Delhi, for their gracious patronage, guidance and support at all times. Our grateful thanks to the Members of the Advisory Committee, Negotiated Settlement Advisory Committee and the Asset Management Committee for the gratuitous services rendered despite their preoccupation and various commitments.

Our sincere thanks to all our shareholders, clients, constituents in reposing their faith and confidence in the working of the Bank and to the members of the staff of our Bank at all levels for their unstinted loyalty, constructive support and dedication to duty in these adverse times.

We reiterate our determination in helping the weakest amongst the weaker sections of the society achieve a level playing field and remain committed to the spirit of the co-operative movement and resolve to lift the Bank to the commanding heights.

Date . 8th July 2011.
Place . Mumbai.

(MANJAYYA C. SHETTY)
ADMINISTRATOR

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**BOMBAY MERCANTILE
CO-OPERATIVE BANK LTD.**



STATUTORY AUDITORS REPORT

THE MEMBERS OF BOMBAY MERCANTILE CO-OPERATIVE BANK LIMITED

(As required under Section 31 of the Banking Regulation Act, 1949 and Section 73 (4) of Multi State Co-operative Societies Act, 2002 and Rule 27 of Multi-State Co-operative Societies Rules)

1. We have audited the attached Balance Sheet of "**Bombay Mercantile Co-operative Bank Ltd.**" (hereinafter referred to as "the Bank") as on 31st March, 2011 and Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, incorporating the returns of the Branches and Head Office. These Financial Statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Accounts are prepared on "going Concern" basis although due to accumulated losses Bank has been unable to maintain minimum required capital and reserves as stated in Note II.1 of Notes on Accounts.
4. IFR is not maintained at minimum required level as stated in Note II.3.3 of Notes on Accounts.
5. Subject to para 3 to 4, we report that:
 - i. 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.
 - ii. 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.
 - iii. the transactions of the Bank, which have come to our notice, have, been within the competence of the Bank and are in compliance with RBI guidelines.
 - iv. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts and returns.
 - v. proper returns/reports adequate for the purpose of the audit have been received from branches.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Multi State Co-operative Societies Act, 2002 and Rules made thereunder, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - a. in the case of Balance Sheet, of the state of affairs of the Bank as at 31st March 2011,
 - b. in the case of Profit and Loss account, of the profit for the year ended on that date and
 - c. in case of Cash Flow Statement, the cash flows for the year ended on that date.

Place Mumbai
Date : 10.06.2011

For NBS & CO.
CHARTERED ACCOUNTANTS
F. R. No. 110100W

Sd/-
Devdas Bhat
Partner (M. No. 48094)