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The Saraswat Co-op. Bank Ltd.
81st Annual Report 1998-99

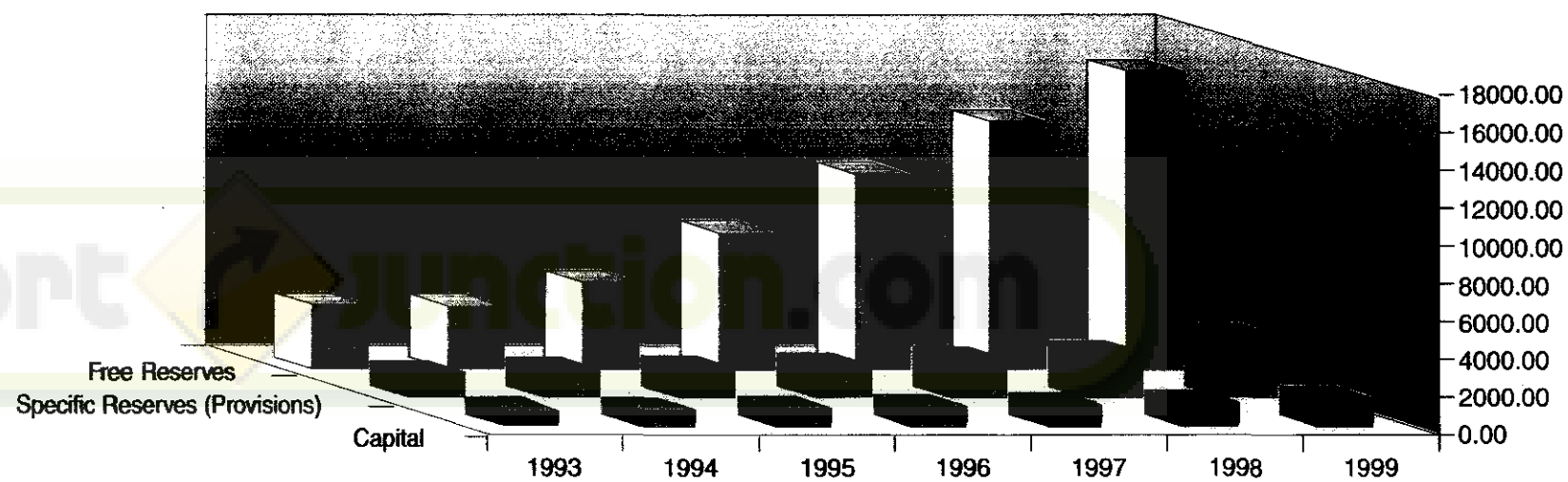


दे सारस्वत को-ऑपरेटीव बैंक लिमिटेड



Trend in Capital & Reserves

Rs. in lakhs



	1993	1994	1995	1996	1997	1998	1999
■ Capital	820.94	902.32	986.22	1049.29	1157.12	1291.49	1519.43
■ Specific Reserves (Provisions)	1300.00	1500.03	1610.03	1760.03	2067.58	2453.15	3340.14
■ Free Reserves	3478.02	3424.38	4685.38	7385.03	10507.74	13356.90	16118.13

THE SARASWAT CO-OPERATIVE BANK LIMITED

(SCHEDULED BANK)

REGISTERED OFFICE	: 'Madhukosh', S.V. Sovani Path, Girgaum, Mumbai-400 004.
CORPORATE OFFICE	: Mittal Court, "A" Wing, First Floor, Vidhan Sabha Marg, Nariman Point, Mumbai - 400 021.
DATE OF REGISTRATION	: September 14, 1918.
NO. AND DATE OF R.B.I. LICENCE	: ACD-MH-220-P-Dated-27.08.1980
AREA OF OPERATION	: States of Maharashtra, Karnataka, Delhi, Goa, Union Territories of Daman & Diu, Municipal limits of Indore City in Madhya Pradesh, Municipal limits of Surat and Ahmedabad in Gujarat State.
AUDIT CLASSIFICATION	: "A", Since 1933.

HIGHLIGHTS

(Rs. in crores)

FOR THE YEAR	MARCH 31, 1999	MARCH 31, 1998	% INCREASE
Total Income	297.62	254.82	16.80
Total Expenditure	251.84	214.43	17.45
Operating Profit	45.78	40.39	13.34
Transfers to Reserves	31.54	28.00	12.64
Net Profit	14.24	12.39	14.93
Foreign Exchange Business	5,300.04	4,225.74	25.42
AT YEAR END			
Own Funds :	209.77	171.01	22.67
Share Capital	15.19	12.91	17.66
Reserves	194.58	158.10	23.07
Deposits :	2,031.82	1,690.36	20.82
Current	238.38	185.24	28.69
Savings	503.14	430.61	16.84
Term	1,290.30	1,064.51	21.21
Advances:	1,383.80	1,139.07	21.49
Secured	1,352.71	1,126.32	20.10
Unsecured	31.09	12.75	143.84
To Priority Sector :	830.72	690.80	20.25
Small Scale Industries	553.08	539.91	2.44
Small Businessmen and Traders	168.51	67.93	148.06
Other Priority Sectors	109.13	82.96	31.55
Working Capital	3,125.90	2,473.75	26.36
Investments:	854.31	658.11	29.81
Borrowings and Refinance	69.07	17.24	300.64
Overdues (%)	7.94	7.67	
Net NPAs %	6.35	6.35	
Capital Adequacy (%)	11.22	12.68	
Members:			
Regular	1,36,007	1,34,061	1.45
Nominal	1,33,878	1,12,667	18.83
Branches including Head Office:	64	62	
Staff:	1,950	1,963	

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UNCLAIMED DIVIDENDS :

Attention of Members is invited to bye-law No.68A under which dividends remaining unpaid for more than 3 years are liable to be forfeited and credited to the Reserve Fund Account. Members who have not drawn dividends for the three previous years i.e.1996, 1997 and 1998 are requested to do so immediately.

Notice is hereby given that dividend for the year ended March 31,1996, (75th dividend) if not drawn on or before September 4, 1999 will be forfeited and credited to the Reserve Fund Account in terms of Bye-Law No. 68A of the Bank.

THE SARASWAT CO-OPERATIVE BANK LIMITED

BOARD OF DIRECTORS

(1998-99 TO 2000-2001)

A.V. Pandit B.Com., F.C.A.
Chairman

M.K. Parulekar B.A.
Vice-Chairman

Dr. P.W. Rege M.A., L.L.M., Ph.D. (London)

S.P. Prabhu B.Com. (Hons), L.L.B., F.C.A.

P.P. Pandit B.Sc., L.L.B.

M.R. Mondkar B.Sc., L.L.B.

S.R. Vengsarkar B.E. (Mech), B.E. (Elec.), Dip. in O.R. & S.Q.C.

Dr. S.P. Adarkar M.Sc., Ph.D.

N.R. Warerkar B.Com., C.A.I.I.B.

Dr. D.V. Rege B.Sc., B.Sc. (Tech), Ph.D.

R.V. Kalghatgi

Dr. N.J. Nayak M.D., F.I.C.A. (U.S.A.)

D.R. Shirodkar B.Com., L.L.B.
Managing Director

REGISTERED OFFICE:

'Madhukosh'
S.V. Sovani Path, Girgaum,
Mumbai - 400 004.

CORPORATE OFFICE :

Mittal Court, 'A' Wing,
First Floor, Vidhan Sabha Marg,
Nariman Point, Mumbai - 400 021.

SHARE DEPARTMENT :

'Madhushree', Third Floor,
Plot No. 85, Dist. Business Centre,
Sector 17, Vashi,
Navi Mumbai - 400 703.

LOCAL ADVISORY COMMITTEES (Term till Sept. 26, 1998).

BELGAUM

R.G. Deshpande B.A.

Chairman

V.L. Ajgaonkar

A.B. Khot B.A. (Hons.), L.L.B.

VENGURLA

M.V. Dabholkar

Chairman

P.G. Mahale

G.L. Parab B.Sc. (Hons)

Mulraj Tricumdas

AURANGABAD

V.K. Gaikwad

Chairman

M.P. Agny M.Sc.

S.G. Bhogle

Smt. Kumud M. Rangnekar M.A.

Yadavrao Bedse Patil

MALVAN

G.R. Khanolkar M.Sc.

Chairman

M.D. Khandalekar S.T.C., D.P.Ed.

Dr. S.J. Zantye M.B.B.S.

HUBLI

S.P. Kamat

Chairman

R.M. Shanbhag

Dr. S.M. Kini

L.G. Hunswadkar

K.M. Paikoti

INDORE

Dr. J.J. Nerurkar Ph.D. in Pharma,

Chem. (Medicine), Chairman

Smt. Urmila L. Kerkre

J.W. Mahajan B.A., L.L.B.

Dr. Ramesh Gupte D.A.M.P., M.D.

(E.H. Medicine), MUMS (Calcutta)

AUDITORS :

Statutory Auditor:

Mr. K.Y. Thute,
Special Auditor, Class I
Co-operative Societies
(Urban Banks) Mumbai.

Internal Auditors :

M/s. Kulkarni and Khanolkar
Assisted by a Team of Auditors

LEGAL ADVISORS :

Dr. B.R. Naik L.L.M., Ph.D.

A.V. Sabnis L.L.B.

BANKERS :

Maharashtra State Co-op. Bank Ltd.
State Bank of India
Bank of India

NOTICE :

The Eighty-First Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Saturday, June 26, 1999 at 4.00 p.m. at Birla Matushri Sabhagruha, 19, Marine Lines, Mumbai - 400 020 to transact the following business:

1. To consider the Annual Report which consists of the Profit and Loss account, the Balance Sheet, the report of the Board of Directors and the reports of Internal and Statutory Auditors for the year ended March 31, 1999.
2. To appropriate net profit as recommended by the Board of Directors for the year ended March 31, 1999 in the Annual Report namely:
 - A. To transfer an amount, not being less than 25% of the net profit, to the Reserve Fund.
 - B. To make a provision, of sum, not being less than 1% of the net profit, towards Education Fund of N.C.U.I.
 - C. To pay dividend.
 - D. To pay 8.33% of the annual salary (salary for the purpose of calculation of *ex gratia* being Basic Pay, F.D.A., I.D.A. and C.A. only) as *ex gratia* payment to all the employees of the Bank, managerial as well as non managerial and without exception, provided that in the case of the employees receiving bonus under Payment of Bonus Act, such employees will be paid the *ex gratia* amount after deducting therefrom the bonus payable under the Payment of Bonus Act, so as to maintain uniformity amongst all employees of the Bank.
 - E. To appropriate balance of net profit for other purposes.
3. To declare dividend.
4. To appoint Internal Auditors for the year 1999-2000.

By Order of the Board of Directors

D.R.SHIRODKAR
Managing Director

Mumbai : June 1, 1999.

NOTE : If there is no quorum within half an hour after the appointed time, the meeting shall stand adjourned to 4.30 p.m. on the same day and the agenda of the Meeting shall be transacted at the said venue irrespective of the rule of quorum in terms of bye-law No.48.

Dividend, when declared, will be paid on or after June 28, 1999 to those shareholders whose shares are fully paid-up on March 31, 1999 and whose names are on the register on May 28, 1999.

If any member desires to have information in connection with the accounts, he/she is requested to address a letter to the Managing Director, so as to reach him at the Secretarial Department, Mittal Court, 'A' Wing, First Floor, Vidhan Sabha Marg, Nariman Point, Mumbai - 400 021, atleast four working days before the date fixed for the Annual General Meeting so that required information may be made available at the Annual General Meeting.

TO SERVE YOU BETTER:

1. Shareholders are hereby requested to verify their names and addresses on the copy of the Annual Report sent to them. The change in address, if any, may kindly be intimated to the Share Department for updating the record.
2. Shareholders are requested to avail of nomination facility by submitting prescribed nomination form as required under Section 27 of the Multi-State Co-operative Societies Act, 1984, and our Bye-Law No.19.

THE SARASWAT CO-OPERATIVE BANK LIMITED

DIRECTORS' REPORT :

Dear Member,

Your Directors have pleasure in presenting the Eighty-First Annual Report on the operations of the Bank together with Audited Balance Sheet as at and Profit & Loss Account for the year ended March 31, 1999. The Auditors' Reports (Internal Auditors and the Statutory Auditor) are annexed hereto.

TRIENNIAL ELECTION OF THE BOARD OF DIRECTORS :

Result of Triennial Election to the Twelve seats on the Board of Directors of the Bank was declared on September 26, 1998.

At a meeting of the elected members of the Bank held on September 26, 1998, Sarvashri Ashok V. Pandit and M.K. alias Baba Parulekar were unanimously elected as Chairman and Vice-Chairman respectively for the period 1998-2001.

ECONOMIC AND BANKING ENVIRONMENT :

Despite slowdown in the economy prevailing for nearly three years, recession and adverse developments on the global front, it is heartening to note that Indian Economy in 1998-1999 recovered substantially and posted GDP growth of 5.80 percent as against 5.00 percent in the previous year. Estimated 5.30 percent growth of agriculture and allied activities and good performance of the services sector contributed towards the overall recovery of the economy.

Industrial growth during (April 1998 to February 1999) declined to 3.90 percent from 6.90 percent reported in the corresponding period of last year. Except capital goods sector, all other key sectors such as basic consumer goods and mining showed negative growth despite several reform measures initiated by the Government to stimulate industrial growth.

During 1998-1999 (upto February), exports declined by about 2.00 percent in U.S. Dollar terms, partly due to sluggish growth of world trade. Trade deficit for the year 1998-1999, is estimated at \$ 8.5 billion as against \$ 6.8 billion in 1997-1998. The rate of inflation on a point to point basis stood at 5.00 percent at the close of 1998-1999 as against 5.30 percent in 1997-1998.

The Reserve Bank of India has constituted a Working Group under the Chairmanship of Shri M. S. Verma, Ex-Chairman of State Bank of India and Advisor to R.B.I. to identify and restructure weak Public Sector Banks with following terms of reference :

1. Suggest criteria for identifying weak public sector banks.
2. Study and examine the problems facing public sector banks.
3. Suggest a strategic plan for financial, organisational and operational restructuring of weak banks.

The Working Group would submit its final report to the Reserve Bank of India by end June, 1999. Report on NPAs of Public Sector Banks by a Committee constituted by the Reserve Bank of India is also expected to be submitted in June, 1999.

The Reserve Bank of India has not only accepted many of the recommendations of the Narasimham Committee Report (II) on Financial Sector Reforms submitted in April, 1998 but also has acted upon many of them quickly. These measures include a. Provision requirement for standard assets and b. Enhancement of Capital Adequacy Ratio requirement in a phased manner and the like.

Other important banking developments are :

1. Circulation of a discussion paper on Khan Committee's Report on harmonising relations between Commercial Banks and Financial Institutions.
2. Reserve Bank of India's approval for setting up of 5 new Local Area Banks.
3. Impact of 'E-commerce' on Bank's business in areas of L/Cs and remittances.
4. Operationalisation of separate chapter on Banks' Vigilance effective January 1, 1999.
5. Reduction in the interest rates on certain small savings' schemes by 0.50 to 1.00 percent w.e.f. January 1, 1999 so as to bring the same on par with interest rates of financial institutions.
6. Emergence of a new world currency viz. 'Euro' w.e.f. January 1, 1999.
7. Constitution of a group of Bankers by the R.B.I. to monitor the instrumentation of the resampled and simplified foreign currency Export Credit Scheme.
8. Acceptance of the Khan Committee report on Corporate Governance by the Finance Ministry.
9. Appointment of a High Power Committee to review the performance of the Urban Co-op. Banks by the R.B.I.

FINANCIAL SECTOR REFORMS AND RESERVE BANK OF INDIA :

The R.B.I. continued its initiative towards financial sector reforms through its credit policy statements. The issues like industrial slow-down, price stability and need for smooth flow of credit to productive sectors of the economy were addressed to by the Reserve Bank of India in its policy statement dated April 20, 1999.

The measures adopted include :

- i. Reduction in CRR by 50 basis points.
- ii. Withdrawal of general refinance facility.
- iii. Continuation of export refinance facility.
- iv. Initiative on developing repo market.
- v. Rationalisation of interest rates on the basis of maturities or exposure.
- vi. Classification of investments upto 75% under current category.
- vii. Recognition of Venture Capital as Priority Sector lending
- viii. Finalisation of guidelines on Infrastructure lending.

FINANCIAL RESULTS :

You will be happy to know that despite the overall slow down in the economy, your Bank has been able to post better operational results for the year ended March 31, 1999, with own funds at Rs. 209.77 crores. While deposits have crossed Rs.2000 crores mark, advances stood at Rs. 1383.80 crores with an impressive CD ratio at 68.11 percent and Net profit at Rs. 14.24 crores. The strong credit growth coupled with timely action on recovery front and effective cost management helped the Bank in improving the profit position. It is significant to note that your Bank maintained a Capital Adequacy Ratio of 11.22 percent at the end of March 1999, as against 12.68 percent reported last year, well above the Reserve Bank of India stipulation, although the same has not been prescribed for UCBs. Increase in overdues by Rs.22.40 crores, over the previous year is attributed to adverse industrial climate.

INCOME AND EXPENDITURE :

The summary of the Income and Expenditure for the last two years viz. end March 1999 and end March 1998 is presented below :

	31.3.99	% to Total Income	31.3.98	% to Total income
(Rs. in crores)				
Total Income	297.62		254.82	
Of which :				
Interest Income	267.59	89.90	222.35	87.25
Non Interest Income	30.03	10.10	32.47	12.75
Expenditure :				
Interest on Deposits and Borrowings	176.95	59.45	145.45	57.08
Establishment Expenses	49.37	16.60	47.27	18.55
Other Administrative Expenses	25.52	8.57	21.71	8.52
Gross Profit	45.78	15.38	40.39	15.85
Transfer to Reserves under Section 60(2) of the Multi-State Co-op. Societies Act, 1984	31.54	10.60	28.00	10.99
Net Profit	14.24	4.78	12.39	4.86

Interest spread as percentage to working funds stood at 3.55 percent in 1998-99 as against 3.73 percent in 1997-98. Average yield on advances stood at 14.48 percent in 1998-99 as against 15.12 percent in the previous year. Yield on investment portfolio was at 11.62 percent as against 12.71 percent for the previous year.

Transfers in terms of Section 60(2) of the Multi State Co-op. Societies Act, 1984, comprise :

	1998-99	1997-98
(Rs. in crores)		
Dividend Equalisation Fund	0.21	0.12
Bad and Doubtful Debts Reserve	8.87	2.70
Development Fund	20.00	23.49
Overdue Interest Reserve	0.96	0.29
Net Open Foreign Currency Position Reserve	1.50	0.25
Investment Depreciation Reserve	-	1.16
	31.54	28.01

THE SARASWAT CO-OPERATIVE BANK LIMITED

As a pro-active and prudent measure, your Bank has made an additional provision of Rs. 3.00 crores towards Bad and Doubtful Debts than what is required as per existing norms of R.B.I. After making other usual and necessary provisions, your Bank has posted a Net Profit of Rs.14.24 crores recording an increase of 14.93 percent over the previous year.

PROPOSED APPROPRIATIONS OF THE NET PROFIT :

According to Section 61 of the Multi-State Co-operative Societies Act, 1984 following appropriations out of Net Profit available for distribution are recommended by your Board :

	1998-99	1997-98
	(Rs. in lakhs)	
Reserve Fund	356.00	309.76
Provision for Payment and Contribution to Education Fund of N.C.U.I.	14.24	12.39
Proposed Dividend @ 15.00% p.a.	228.00	185.00
Provision for Ex-gratia payment to the employees	300.00	485.00
Building Fund	75.71	211.85
Technology Upgradation Fund	400.00	-
Members' Welfare Fund	20.00	20.00
Provision for Staff Welfare	15.00	5.00
Provision for Public, Charitable and Co-operative Purposes	15.00	10.00
Balance to be carried forward to the next year	0.05	0.04
	<u>1,424.00</u>	<u>1,239.04</u>

In view of the Bank's decision to acquire new software from CITIL, as also related hardware for Total Bank Computerisation project, which is expected to cost about Rs. 15.00 crores, a fund for technology upgradation is proposed to be created by allocating Rs.400.00 lakhs.

DIVIDEND :

Your Directors are pleased to recommend a Dividend of 15.00 percent per annum for the year ended March 31, 1999.

MEMBERSHIP :

The total number of Shareholders and Nominal members as on March 31, 1999 were 1,36,007 and 1,33,878 respectively.

MEMBERS' WELFARE FUND :

With the additional appropriation of Rs.20.00 lakhs proposed above, total amount in the fund will be Rs. 228.50 lakhs. During the year under report, 1,048 members availed of facilities amounting to Rs.13.21 lakhs under the schemes, as against 1,091 members, amounting to Rs.13.37 lakhs as reported last year. Prizes to 27 meritorious children of members amounting to Rs.0.07 lakhs were awarded.

CAPITAL AND RESERVES :

The Paid-up Capital of your Bank has increased from 1,291.49 lakhs as on March 31, 1998 to Rs. 1,519.43 lakhs as on March 31, 1999 registering an increase of Rs. 227.94 lakhs. Total Reserves during the year also increased by Rs. 3648.22 lakhs from Rs. 15,810.05 lakhs to Rs.19,458.26 lakhs.

The increase in own funds during the year works out to 22.67 percent as against 24.53 percent increase reported last year, clearly showing the sound financial base of your Bank.

The comparative position of reserves is as under :

	31.3.99	31.3.98	(Rs. in lakhs)
			Increase/ Decrease
1. Reserve Fund (statutory)	2,137.70	1,778.52	+ 359.18
2. Building Fund	858.88	647.03	+ 211.85
3. Dividend Equalisation Fund	136.75	116.23	+ 20.52
4. Bad and Doubtful Debts Reserve	3,069.04	2,182.06	+ 886.98
5. Investment Depreciation Reserve	271.09	271.09	-
6. Development Fund	12,565.15	10,565.15	+ 2000.00
7. Members' Welfare Fund	208.50	188.50	+ 20.00
8. Provision for Public, Charitable & Co-op. purposes	11.16	11.47	- 0.31
9. Net Open Foreign Currency Position Reserve	200.00	50.00	+ 150.00
	<u>19,458.27</u>	<u>15,810.05</u>	<u>3648.22</u>

The Statutory Reserve Fund and Members' Welfare Fund are invested separately with the Maharashtra State Co-op. Bank Ltd.

RESOURCE MOBILISATION :

As against the Reserve Bank of India's projection of deposit growth of 19.50 percent for the year under review, deposits in the banking sector increased by 18.50 percent. Your Bank's deposit growth at 20.92 percent vis-a-vis banking sector could be termed as satisfactory. Your Bank crossed Rs.1000 crores mark for deposits in August 1995. The journey to Rs.2000 crores from Rs.1000 crores was completed within just three and half years. This achievement reflects the confidence of the depositors and shareholders for which Bank is ever grateful.

CREDIT EXPANSION AND INVESTMENT :

Compared to last year, Credit off-take in Banking Industry in 1998-99 was only 12.10 percent as against 16.40 percent reported last year. During the first half of the current year, there was relatively poor demand for funds.

Your Bank's advances reached a level of Rs.1383.80 crores as at March 31, 1999, recording impressive growth of 21.43 percent as against an increase of 12.10 percent of the banking industry.

Total investments of the Bank increased by Rs.196.20 crores as at March 31, 1999 to reach the level of Rs. 854.31 crores.

SOCIAL BANKING :

The Priority Sector advances moved to Rs.830.72 crores from Rs.690.80 crores. The sector-wise break up indicates Bank's increasing commitment in financing SSI units year by year. Advances to SSI constituted 39.97 percent of total credit and 66.58 percent of priority sector credit. While credit to small traders and small businessmen formed 20.28 percent of the total priority sector credit, housing finance constituted 7.82 percent of the total priority sector credit. Recognising the importance of these sectors, the Business plan for the year 1999 - 2000 lays down significant emphasis on lending to these sectors.

The R.B.I. Urban Banks' Department vide its circular No. UBD/Plan/17/9.9.01/98-99 dated January 30, 1999 has revised limits under priority sector credit in case of "Other Private Retail Traders" to Rs.5.00 lakhs from Rs.2.00 lakhs.

Advances to Weaker Section :

Bank's advances to weaker section as on March 31, 1999 constituted 1.81 percent of total credit and 3.02 percent of priority sector credit respectively.

Advances to Women Entrepreneurs :

Women Entrepreneurs are an important segment of weaker section advances. Bank's advances to women under SSI, retail traders, professional and self-employed stood at Rs.8.20 crores constituting 32.71 percent of total weaker section advances.

QUALITY OF ASSETS :

Your Bank has already realised the importance of effective management of NPAs in ensuring quality of advances. Despite adverse business conditions and slow down of the economy, your Bank has been able to contain its overdues at 7.94 percent of total advances. Management of credit risk, among other types of risks, will be the prime challenge before all banks in millennium banking. Although not mandatory for PCBs, your Bank is in the process of developing a Risk Management System to address to these issues.

FOREIGN EXCHANGE BUSINESS :

Foreign exchange business turnover of your Bank during the year has shown quantum jump to Rs.5,300.04 crores from Rs.4,225.74 crores.

The Bank is maintaining active correspondent banking relationship with 115 correspondents, spread over 40 countries covering 8 currencies so as to cater to Foreign Exchange requirements of its clientele.

To meet diversified needs of our Corporate Clients, two new foreign exchange centres at Ghatkopar and Andheri were opened on August 31, 1998 and December 3, 1998 respectively.

TREASURY AND INVESTMENT MANAGEMENT :

The Reserve Bank of India has already advised Scheduled Commercial Banks to operationalise Asset Liability Management (ALM) System w.e.f. April 1999. Though introduction of ALM System has not been compulsory for PCBs, your Bank is the first Bank in Urban Banking Sector to have its own ALM Committee at the Corporate Office. ALM is being pursued as an integral part of the Bank's business focus. ALM Meetings are being held at regular intervals to examine the Bank's Asset-Liability structure on an on-going basis and to formulate the Bank's balance sheet policies.

INFORMATION TECHNOLOGY :

New Software :

Realising the importance of technology for excellence in Customer Service, your Bank has finalised acquisition of software for Total Bank Computerisation (TBC) from CITIL. This would also facilitate the Bank to develop decision support system.

Implementation of the TBC Project is spread over a period of three years. Overseas, Corporate Office, Treasury Dept.