

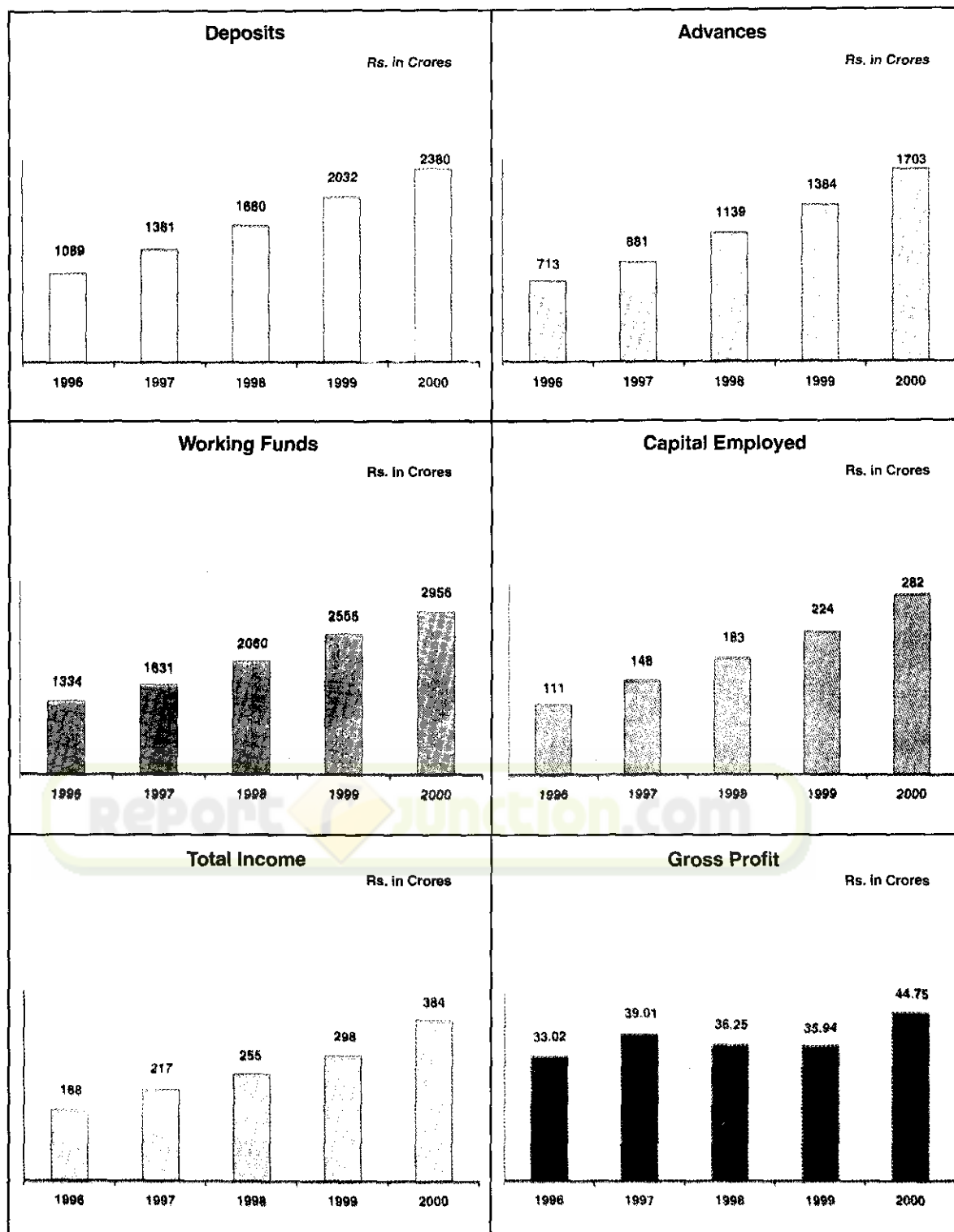


THE SARASWAT CO-OP. BANK LTD.
(Scheduled Bank)

दि सारस्वत को-ऑप. बैंक लि.
(शेड्युल्ड बैंक)



82nd Annual Report 1999-2000



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.
Website : www.saraswatbank.com
Email : madhunet@bom5.vsnl.net.in

DATE OF REGISTRATION : September 14, 1918.

AUDIT CLASSIFICATION : "A", Since 1933.

CONTENTS OF THE ANNUAL REPORT

Page

1. Board of Directors, Auditors, Legal Advisors and Bankers	2
2. Performance Highlights	3
3. Notice	4
4. Report of the Board of Directors	5-11
5. Concise Report of the Board in Marathi	12-13
6. Balance Sheet as at March 31, 2000	14-21
7. Profit and Loss Account for the year ended March 31, 2000	22-23
8. Notes on Accounts for the year ended March 31, 2000	24
9. Statutory Auditor's Report	25
10. Internal Auditors' Report	26
11. Involvement of Small Man	27
12. Progress at a Glance	28-29
13. Industry-wise Deployment of Credit	30

BOARD OF DIRECTORS

(1998-1999 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., LL.M., Ph.D. (London)

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

P.P. Pandit B.Sc., LL.B.

M.R. Mondkar B.Sc., LL.B.

S.R. Vengsarker 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., LL.B.
Managing Director

SHARE DEPARTMENT :

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

AUDITORS :

Statutory Auditor:

Mr. Vinay R. Ganoo, F.C.A.

Report  junction.com

Internal Auditors :

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

LEGAL ADVISORS :

Dr. B.R. Naik LL.M., Ph.D.
A. V. Sabnis LL.B.

BANKERS :

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

THE SARASWAT CO-OPERATIVE BANK LIMITED

PERFORMANCE HIGHLIGHTS			
(Rs. in crores)			
FOR THE YEAR	MARCH 31, 2000	MARCH 31, 1999	% INCREASE
Total Income	383.52	297.62	28.86
Total Expenditure	305.64	251.84	21.36
Operating Profit	77.88	45.78	70.12
Less: Extraordinary Items	17.50	-	-
Provisions	15.63	9.83	59.00
Gross Profit	44.75	35.95	24.48
Less: Transfer to Reserves	27.41	21.71	26.26
Net Profit	17.34	14.24	21.77
Foreign Exchange Business	6,642.47	5,300.04	25.33
AT YEAR END			
Own Funds :	264.46	209.77	26.07
Share Capital	20.35	15.19	33.97
Reserves	244.11	194.58	25.45
Deposits :	2,379.52	2,031.82	17.11
Current	301.89	238.38	26.64
Savings	617.14	503.14	22.66
Term	1,460.49	1,290.30	13.19
Advances:	1,703.11	1,383.80	23.07
Secured	1,689.10	1,352.71	24.87
Unsecured	14.01	31.09	(-) 54.94
To Priority Sector :	1,103.86	830.72	32.88
Small Scale Industries	740.25	553.08	33.84
Small Businessmen and Traders	134.23	168.51	(-) 20.34
Other Priority Sectors	229.38	109.13	110.19
Working Capital	2,956.09	2,554.61	15.72
Investments	956.39	854.31	11.95
Borrowings and Refinance	165.38	69.07	139.44
Overdues (%)	6.31	7.94	
Net NPAs (%)	4.64	5.11	
Capital Adequacy (%)	12.49	11.22	
Members: (No.)			
Regular	1,42,031	1,36,007	
Nominal	1,93,572	1,33,878	
Branches (No.)	69	63	
Employees (No.)	1,923	1,950	

NOTICE :

The Eighty-Second Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Saturday, May 27, 2000 at 2.00 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 Statutory and Internal Auditors for the year ended March 31, 2000.
2. To appropriate net profit as recommended by the Board of Directors in the Annual report for the year ended March 31, 2000.
3. To declare dividend.
4. To appoint Internal Auditors for the year 2000-2001.

By Order of the Board of Directors

D.R.SHIRODKAR
Managing Director

Mumbai : April 27, 2000.

NOTE : If there is no quorum within half an hour after the appointed time, the meeting shall stand adjourned to 2.30 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 May 29, 2000 to those shareholders whose shares are fully paid-up on March 31, 2000 and whose names are on the register on April 29, 2000.

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 Bank's office at 19/21, Ambalal Doshi Marg, Fort, Mumbai 400 001 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. 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.
3. Shareholders desirous of crediting dividend to their account with us are requested to record their standing instructions with Share Department.
4. Those members who hold less than 50 shares have been sent along with the Annual Report, an application form to subscribe for additional shares to raise their holding to 50 in terms of bye-law No.6(c). They are requested to fill the said application form and deposit the same with demand draft/cash/cheque with nearest branch of the Bank before 30th June, 2000.

NOTICE RE: UNCLAIMED DIVIDEND

Notice is hereby given that dividend for the year ended March 31, 1997 (76th dividend) if not drawn on or before September 30, 2000 will be forfeited and credited to the Reserve Fund Account in terms of Bye-law No.68 A of the Bank.

THE SARASWAT CO-OPERATIVE BANK LIMITED

DIRECTORS' REPORT :

Dear Member,

Your Directors have pleasure in presenting the Eighty-Second Annual Report on the operations of the Bank together with the Audited Balance Sheet as at and Profit and Loss Account for the year ended March 31, 2000. The Auditors' Reports (Statutory and Internal) are annexed hereto.

ECONOMIC AND BANKING ENVIRONMENT OVERVIEW :

The Indian economy, in 1999-2000, continued to post encouraging results showing a GDP growth at 5.90 percent. While the food grains production was lower by 4 million tonnes over previous year, industrial growth showed recovery by posting 6.20 percent growth in April-December 1999. Exports sector continued to surge at 12.90 percent during the same period. Inflation rate remained at a low level in 1999, while forex reserves reached a new high of over \$ 36bn.

The other important developments, concerning the banking sector, during the year were:

1. Submission of the Verma Committee report on restructuring of weak public sector banks.
2. Passing of the Insurance Regulatory and Development Authority Act, 1999.
3. Passing of bill to amend the SIDBI Act, 1989 by proposing delinking of SIDBI from IDBI for greater functional authority and flexibility of operation.
4. Measures of de-control in credit and money market - permission to interest rate swaps and forward rate agreements.
5. Reduction of 1.00 percent interest rate on PPF and other small savings instruments.
6. Providing access to repo markets to select non-bank institutional participants.
7. Extending cheque writing facility to money market and gilt mutual funds.
8. Reintroduction of 182 days treasury bills.
9. Exempting Banks' venture capital investment from 5.00 percent ceiling on investment in shares and securities.
10. Accepting the recommendations of the Narasimham Committee on Banking Sector Reforms (II) regarding reducing the requirement of minimum share holding by Government in public sector banks to 33.00 percent.
11. Submission of the Report by a working group constituted by the R.B.I. for setting up a Credit Information Bureau.

OPERATING PERFORMANCE :

The summary of the Income and Expenditure for the current and preceeding year is presented below:

	1999-2000	% to total income	1998-1999	% to total income
(Rs. in crores)				
Total Income:	383.52		297.62	
Of which:				
Interest Income	338.10	88.16	267.59	89.91
Non interest Income	45.42	11.84	30.03	10.09
Expenditure :				
Interest on Deposits and Borrowings	216.38	56.42	176.95	59.45
Establishment Expenses	54.88	14.31	49.37	16.60
Administrative Expenses	34.38	8.96	25.52	8.57
Operating Profit	77.88	20.31	45.78	15.38
Less: Extraordinary items (VRS Provision)	17.50	4.56	-	-
Other Provisions	15.63	4.08	9.83	3.30
Gross Profit	44.75	11.67	35.95	12.08
Less: Transfer to Reserves	27.41	7.15	21.71	7.30
Net Profit	17.34	4.52	14.24	4.78

Interest spread as percentage to Total Income stood at 31.74 in 1999-2000 as against 30.45 in 1998-1999. Average yield on advances stood at 14.68 percent in 1999-2000 as against 14.48 percent in the previous year. Average yield on investment portfolio was at 11.20 percent as against 11.62 percent for the previous year. The average return on funds deployed during the year stood at 13.31 percent as against 13.37 percent during the previous year.

Non interest income as compared to the previous year shows a rise of Rs.15.39 crores representing an increase of 51.25 percent over last year. This rise is mainly attributable to the increase in the profit on trading in securities of Rs.8.55 crores, increase in commission earnings of Rs.4.20 crores and increase in exchange earnings of Rs.1.70 crores.

The average cost of funds raised, decreased marginally from 9.31 percent in the last year to 9.03 percent during the current year.

The establishment expenses were Rs.54.88 crores as against Rs.49.37 crores last year. The rise works out to 11.16 percent which remained under control due to a low rise in the Dearness Allowance index during the year. Though the total administrative expenses increased by Rs.8.86 crores as compared to last year, in terms of percentage to total income, they showed a marginal increase.

The operating profit of the Bank showed sizeable rise mainly due to high level of credit deposit ratio maintained throughout the year under review and profit realised from treasury operations.

Provisions showed a rise of Rs.5.80 crores i.e by 59.00 percent, due to the following :

- i) Provision @ 0.25 percent on Standard Assets, not required till last year, Rs.3.93 crores.
- ii) Provision attributable to Non Performing Assets Rs. 9.70 crores, last year Rs.5.86 crores.
- iii) Additional provision as pro-active measure Rs.2.00 crores, last year Rs.3.00 crores.

Thus, aggregate additional provision, in excess of RBI norms, was Rs.5.00 crores as at 31st March, 2000.

APPROPRIATION OUT OF 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 :

	(Rs. in lakhs)
	1999-2000
	1998-1999
Reserve Fund	433.53
Provision for payment of contribution to Education Fund of N.C.U.I.	17.34
Proposed Dividend @ 15.00% p.a. and Additional Millennium dividend @ 3.00 % p.a.	314.90
Provision for <i>Ex gratia</i> payment to the employees	724.00
Building Fund	199.32
Members' Welfare Fund	20.00
Provision for Staff Welfare	10.00
Provision for Public, Charitable and Co-operative purposes	15.00
Balance to be carried forward to the next year	0.05
	1,734.14
	1,424.00

In terms of newly enacted Bye-Law No.41, the Board has proposed an appropriation of Rs.7.24 crores towards payment of *ex gratia* to all the members of the staff.

The Board also proposes to transfer a sum of Rs.25.00 lakhs appropriated towards "Projects in Underdeveloped Regions" out of the profits for the year 1991-92 to the Reserve Fund. The said sum has remained unutilised for want of a viable activity within the size of the Fund.

DIVIDEND :

Your Directors are pleased to recommend a Dividend of 15.00 percent per annum plus a Special Millennium Dividend of 3.00 percent per annum for the year ended March 31, 2000.

CAPITAL AND RESERVES :

The Paid-up Capital of your Bank increased to Rs.20.35 crores as at March 31, 2000 from Rs.15.19 crores as at March 31, 1999, and registered an increase of Rs.5.16 crores. Total reserves during the year also increased by Rs.49.53 crores to Rs.244.11 crores from Rs.194.58 crores.

The comparative position of Reserves is as under:

	(Rs. in crores)
	31-3-2000
	31-3-1999
	Increase/ (Decrease)
Reserve Fund (Statutory)	25.40
Building Fund	12.32
Dividend Equalisation Fund	1.78
Bad and Doubtful Debts Reserve	44.84
Investment Depreciation Reserve	0.14
Development Fund	152.65
Members' Welfare Fund	2.29
Provision for Public Charitable and Co-operative purposes	0.12
Net Open Foreign Currency Position Reserve	2.00
Investment Fluctuation Reserve	2.57
	244.11
	194.58
	49.53

THE SARASWAT CO-OPERATIVE BANK LIMITED

Investment Fluctuation Reserve was created by writing back excess amount in Investment Depreciation Reserve consequent upon marking 100.00 percent of the securities to market.

The Statutory Reserve Fund and Members' Welfare Fund were invested separately, with the Maharashtra State Co-operative Bank Ltd..

RESOURCE MOBILISATION AND DEPLOYMENT :

The deposits of the Bank stood at Rs.2,379.52 crores as at 31.3.2000 as against Rs.2,031.82 crores as at 31.3.1999. The rise in percentage terms worked out to 17.11. The growth as compared to last year slowed down during the current year due to the conscious policy adopted by the Bank to prevent concentration of institutional deposits and to keep the interest cost at lower level. The total advances increased to Rs.1,703.11 crores as at 31.3.2000. The increase over last year worked out to 23.08 percent and compared favourably with the growth in the last year. The credit deposit ratio stood at 71.57 percent as at 31.3.2000. The total investments of the Bank also rose to Rs.956.39 crores as at 31.3.2000 from Rs. 854.31 crores as at the end of last year. These investments represented fair mix of different options available to the Bank from the point of view of meeting the statutory requirement and maximising earnings.

SOCIAL BANKING :

- a) The Priority Sector advances increased to Rs.1,103.86 crores from Rs.830.72 crores. The sector-wise break up indicates Bank's increasing commitment to financing SSI units year by year. Advances to SSI constituted 43.46 percent of total credit and 67.06 percent of Priority Sector credit. While credit to small traders and small businessmen formed 12.16 percent of the total Priority Sector credit, housing finance constituted 17.11 percent of the total Priority Sector credit. Recognising the importance of this sector, the Business Plan for the year 2000-2001 has laid down emphasis on lending to this sector.
- b) Bank's advances to weaker sections as on March 31, 2000 constituted 1.70 percent of total credit and 2.62 percent of Priority Sector credit respectively.
- c) Women entrepreneurs are an important segment of weaker section advances. Bank's advances to women entrepreneurs under SSI, Retail traders, Professionals and Self-employed stood at Rs.6.80 crores, constituting 23.51 percent of the total weaker section advances.

RETAIL LOANS :

As stated in the last Annual Report, the Bank continued its thrust in lending to retail sector during the year under report. The financial assistance was provided through schemes, which were received well by customers of the Bank. During the year loans were disbursed to individuals involving Rs.215.15 crores. Enthused by this performance, it has been proposed to substantially step up disbursements under these schemes during the current year. The Bank firmly believes that in the years to come retail loans would provide excellent opportunity for deploying funds in view of steadily rising proportion of middle class population in the country.

QUALITY OF ASSETS :

Your Bank has already realised the importance of effective management of Credit in ensuring quality of advances. Despite adverse business conditions and slow down of the economy, your Bank has been able to contain with active involvement of members of staff at every level, overdues at 6.31 percent of total advances. Management of credit risk, among other types of risks, will be the prime challenge before all banks in the millennium banking. Although not mandatory for UCBs, your Bank is in the process of developing a Risk Management System to address to these issues.

MOVEMENT IN NPAs :

(Rs. in crores)

Gross NPAs as at 31.03.1999	101.47	
Additions during the year	23.86	
Less : Amount written off	1.47	
Gross NPAs as at 31.03.2000		123.86
Provision as at 31.03.1999	30.69	
Additions during the year	15.62	
Less : Amount written off	1.47	
Provision as at 31.03.2000		44.84
Net NPAs as at 31.03.2000		<u>79.02</u>
Net NPAs as at 31.03.1999		<u>70.78</u>

CAPITAL ADEQUACY RATIO :

		(Rs. in crores)
	1999-2000	1998-1999
Tier I Capital	234.12	190.50
Tier II Capital	2.69	23.88
Total Capital	236.81	214.38
Total Risk Weighted Assets and Contingencies	1,895.12	1,910.12
Capital Ratios- Tier I	12.35 %	9.97 %
Total Capital	12.49 %	11.22 %

FOREIGN EXCHANGE BUSINESS :

Foreign Exchange Business turnover of your Bank during the year increased to Rs.6,642.47 crores from Rs.5,300.04 crores. The Bank is maintaining active correspondent banking relations with 116 correspondents, spread over 40 countries covering 8 currencies so as to cater to the Foreign Exchange requirements of its clientele. Your Bank has planned to open NRI-Branches at Mumbai, Pune and Panaji in the near future and also proposes to open B-Category branches at Vashi, Borivli and Software Park, Pune. Your Bank received permanent licence to deal in Foreign Exchange, from the Reserve Bank of India during the year, in view of the excellent track record of the Bank in this area of business.

HIGH POWER COMMITTEE ON URBAN CO-OPERATIVE BANKS :

The Committee constituted by the R.B.I. in May 1999 under the Chairmanship of Shri R. Madhav Rao, Ex-Chief Secretary, Government of Andhra Pradesh, to review the performance of Urban Co-operative Banks and suggest necessary measures to strengthen this sector has submitted its report. Major recommendations of the Committee are as under :

1. Phased introduction of Capital Adequacy Ratio in case of SUCBs and Non SUCBs

Period	Scheduled Urban Co-operative Banks	Non Scheduled Urban Co-operative Banks
March 31, 2001	8.00 %	6.00 %
March 31, 2002	9.00 %	7.00 %
March 31, 2003	As applicable to commercial banks	9.00 %
2. A ceiling of 20.00 percent on dividend payment by Urban Co-operative Banks.
3. R.B.I. to prescribe a twin criteria on a strong start-up capital and requisite norms for promoters' ability.
4. Irrespective of the size of the operations, Urban Co-operative Banks to be run on professional line only i.e. at least two directors with suitable banking or relevant professional experience should be on the Board of Urban Co-operative Banks.
5. Extension of the same freedom of discipline to Urban Co-operative Banks on the lines of commercial banks in opening branches with certain regulations.
6. Clear cut distinction between the functions of State Government and the R.B.I. as regulators, to solve the problem of dual control.
7. Objective criteria for identification of sick and weak banks :

Parameters	Weak Banks	Sick Banks
CRAR	Less than 75.00 % of minimum prescription or	Less than 50.00 % of minimum prescription or
Net NPA	10.00% or more but less than 15.00% of loans & advances outstanding as on March 31 or	15.00% or more of Loans and Advances outstanding as on March 31 or
History of Losses	Showing Net Losses in operation for last two years out of last three consecutive financial years	Showing Net Losses in operation for last three consecutive financial years

MEMBERSHIP :

The total number of Members and Nominal Members as on March 31, 2000 stood at 1,42,031 and 1,93,572 respectively.