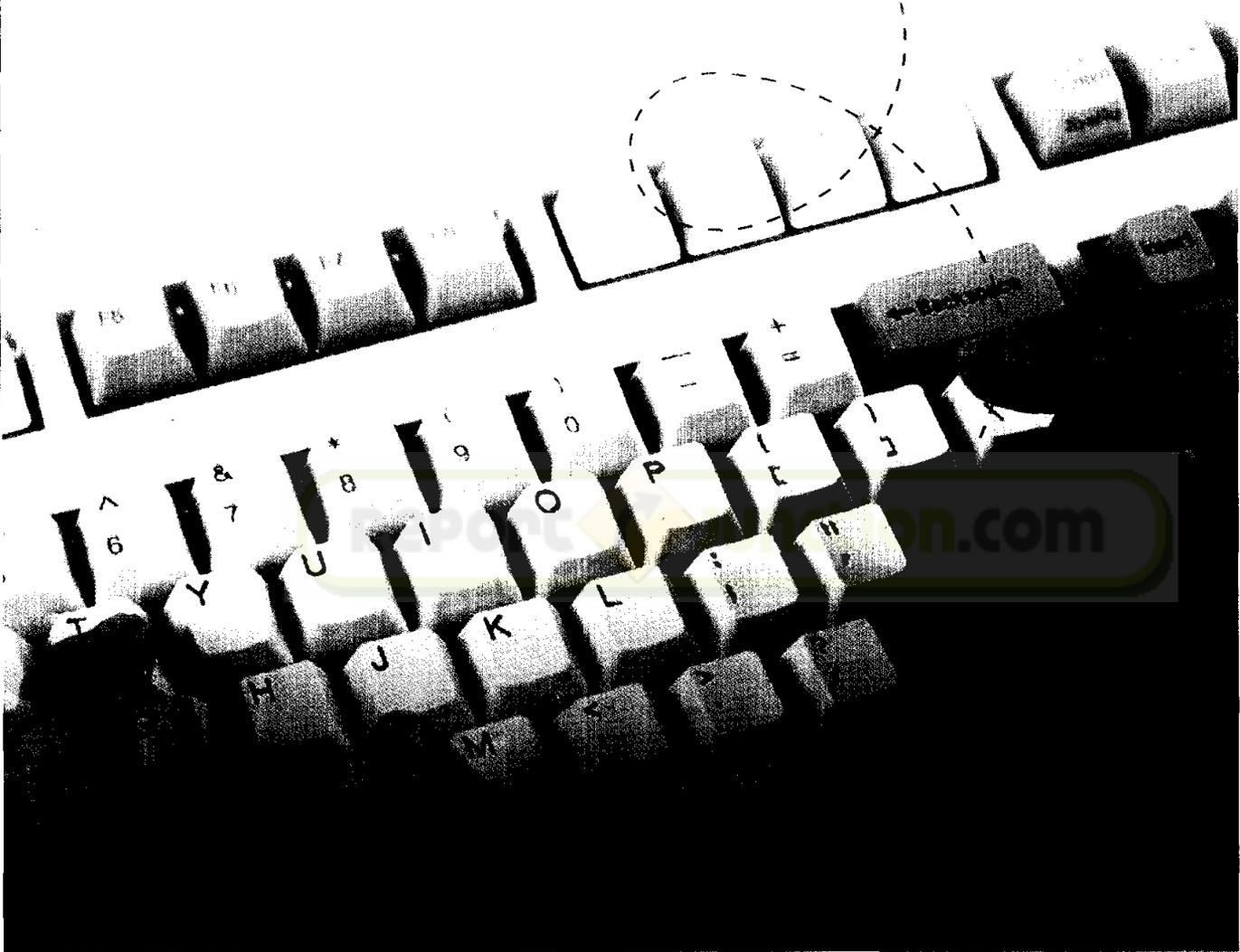


# Saraswat Bank

83rd ANNUAL REPORT 2000-2001

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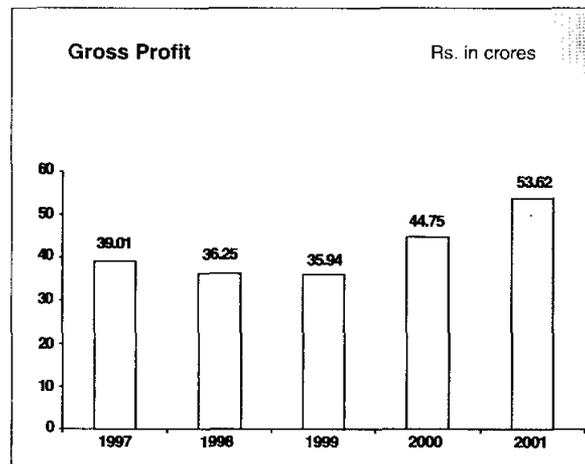
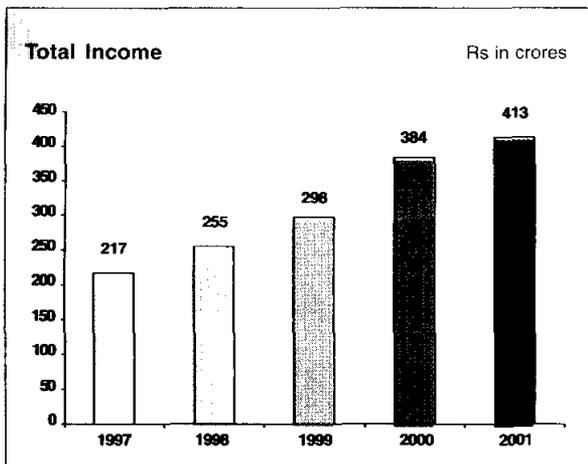
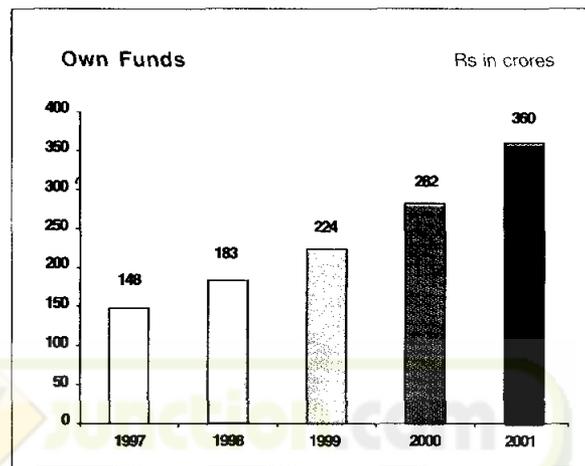
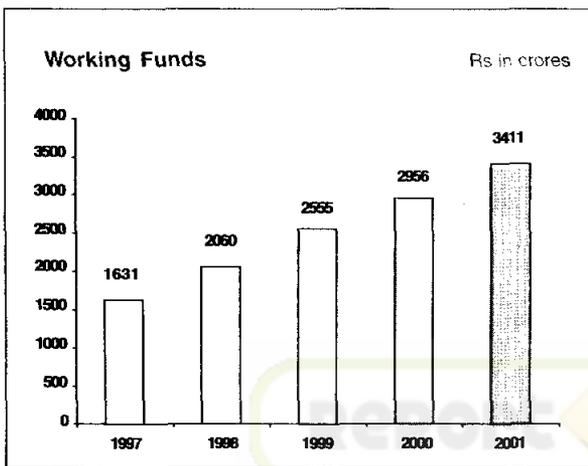
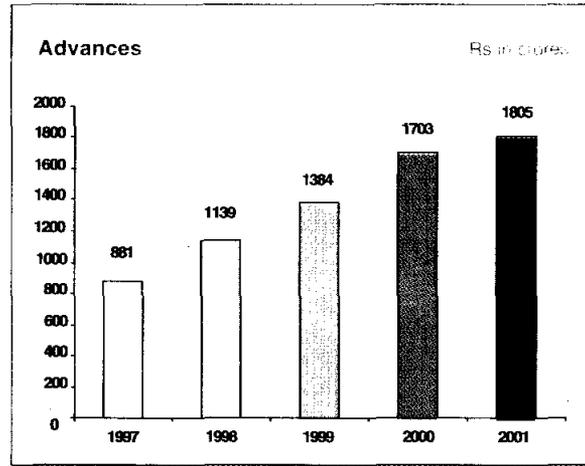
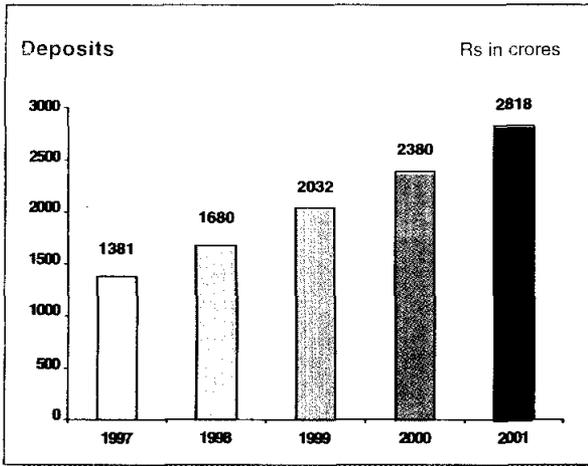
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**THE SARASWAT CO-OP. BANK LTD.**

(Scheduled Bank)

**दि सास्वत को-ऑप. बैंक लि.**

(संयुक्त बैंक)



**THE SARASWAT CO-OPERATIVE BANK LIMITED****THE SARASWAT CO-OPERATIVE BANK LIMITED**

(SCHEDULED BANK)



<b>REGISTERED OFFICE</b>	:	'Madhukosh', S.V. Sovani Path, Girgaum, Mumbai-400 004.
<b>CORPORATE OFFICE</b>	:	Mittal Court, "A" Wing, First Floor, Vidhan Sabha Marg, Nariman Point, Mumbai - 400 021. Website : www.saraswatbank.com E-mail : sarcocc@giabm01.vsnl.net.in
<b>DATE OF REGISTRATION</b>	:	September 14, 1918.
<b>NO. AND DATE OF R.B.I. LICENCE</b>	:	ACD-MH-220-P-Dated-27.08.1980.
<b>AREA OF OPERATION</b>	:	States of Maharashtra, Karnataka, Goa, Union Territories of Daman, Diu and Delhi, Municipal limits of Indore in Madhya Pradesh, Municipal limits of Surat and Ahmedabad in Gujarat State.
<b>AUDIT CLASSIFICATION</b>	:	"A", Since 1933.

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## THE SARASWAT CO-OPERATIVE BANK LIMITED

**BOARD OF DIRECTORS**

(1998-1999 TO 2000-2001)

**Dr. P.W. Rege** M.A., LL.M., Ph.D. (London)  
Chairman**M.K. Alias Baba Parulekar** B.A.  
Vice-Chairman**Directors****Dr. S.P. Adarkar** M.sc., Ph.D.**Shri. P.P. Pandit** B.Sc., LL.B.**Shri. R.V. Vengsarker** B.E. (Mech), B.E. (Elec.), Dip in O.R. & S.Q.C.**Shri. E.K. Thakur** B.A. (Hons.), C.A.I.I.B.**Shri. V.M. Desai** B.Com., M.A., L.L.M., F.C.A., C.I.A.**Shri. A.V. Pandit** B.Com., F.C.A.**Shri. R.V. Kalghatgi****Dr. N.J. Nayak** M.D., FICA (USA)**Shri. R.V. Aroskar** B. Com., F. C. A.**Shri. M.P. Barde** B.E. (Civil), M. Tech., M. I. E.**Shri. 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. V.R. Sakhare  
Special Auditor, Class I,  
Co-op. Societies (Urban Banks)  
Mumbai**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

<b>PERFORMANCE HIGHLIGHTS</b>			
<b>(Rs. in crores)</b>			
<b>FOR THE YEAR</b>	<b>MARCH 31, 2001</b>	<b>MARCH 31, 2000</b>	<b>% INCREASE</b>
Total Income	412.86	383.52	7.65
Total Expenditure	315.44	305.64	3.21
Operating Profit	97.42	77.88	25.09
Less: Extraordinary items	9.05	17.50	(-) 48.29
Provisions	34.75	15.63	122.33
Gross Profit	53.62	44.75	19.82
Less: Transfer to Reserves	30.20	27.41	10.18
Net Profit	23.42	17.34	35.06
Foreign Exchange Business	9,005.19	6,642.47	35.57
<b>AT YEAR END</b>			
<b>Own Funds :</b>	<b>336.80</b>	<b>264.46</b>	<b>27.96</b>
Share Capital	24.44	20.35	20.10
Reserves	312.36	244.11	27.96
<b>Deposits :</b>	<b>2,817.76</b>	<b>2,379.52</b>	<b>18.42</b>
Current	270.81	301.89	(-) 10.30
Savings	674.30	617.14	9.26
Term	1,872.65	1,460.49	28.22
<b>Advances:</b>	<b>1,805.43</b>	<b>1,703.11</b>	<b>6.01</b>
Secured	1,771.20	1,689.10	4.86
Unsecured	34.23	14.01	144.33
<b>To Priority Sector :</b>	<b>1,153.63</b>	<b>1,103.86</b>	<b>4.51</b>
Small Scale Industries	724.88	740.25	(-) 2.07
Small Businessmen and Traders	92.17	134.23	(-) 31.33
Other Priority Sectors	334.57	229.38	45.86
<b>Working Capital</b>	<b>3,410.61</b>	<b>2,956.09</b>	<b>15.38</b>
<b>Investments</b>	<b>1,255.54</b>	<b>956.39</b>	<b>31.28</b>
<b>Borrowings and Refinance</b>	<b>82.80</b>	<b>165.38</b>	<b>(-) 49.93</b>
<b>Overdues (%)</b>	<b>9.14</b>	<b>6.31</b>	
<b>Net NPAs (%)</b>	<b>5.64</b>	<b>4.64</b>	
<b>Capital Adequacy (%)</b>	<b>14.28</b>	<b>12.49</b>	
<b>Members: (No.)</b>			
Regular	83,272*	1,42,031	
Nominal	2,30,397	1,93,572	
<b>Branches (No.)</b>	<b>72</b>	<b>69</b>	
<b>Employees (No.)</b>	<b>1,801</b>	<b>1,923</b>	
* Shareholders holding 50 shares and above			

**THE SARASWAT CO-OPERATIVE BANK LIMITED****NOTICE :**

The Eighty-Third Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on 14th July, 2001 at 2.00 p.m. at Birla Matushri Sabhagraha, 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, 2001.
2. To appropriate net profit as recommended by the Board of Directors in the Annual Report for the year ended March 31, 2001.
3. To declare dividend.
4. To appoint Internal Auditors for the year 2001-2002.
5. To amend the Bye-law No. 59.
6. To elect Board of Directors: Returning Officer will preside over the General Body for the declaration of the election results.

**NOTE :** The text of the existing bye-law, amendment proposed and text after incorporating the amendment is enclosed herewith.

By Order of the Board of Directors

**D.R. SHIRODKAR**  
Managing Director

Mumbai : 25th May, 2001.

**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 16<sup>th</sup> July, 2001 to those shareholders who hold minimum 50 fully paid-up shares on March 31, 2001 and whose names are on the register on 25<sup>th</sup> May, 2001.

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 at the Secretarial Department, Mittal Court, 'A' Wing, First Floor, Vidhan Sabha Marg, Nariman Point, Mumbai, 400 021, at least 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 :**

- Shareholders are hereby kindly 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.
- Shareholders are requested to avail of nomination facility by submitting prescribed nomination form.
- Shareholders desirous of crediting dividend to their account with us are requested to record their standing instructions with Share Department.

**UNCLAIMED DIVIDENDS**

Notice is hereby given that dividend for the year ended March 31, 1998 (77th dividend) if not drawn on or before September 30, 2001 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

**DIRECTORS' REPORT :**

Dear Member,

Your Directors are pleased to present the Eighty-Third Annual Report of the Bank together with the Audited Balance Sheet as at 31 March, 2001 and relative Profit and Loss Account.

**ECONOMIC ENVIRONMENT :**

- The year was marked by a weakening of domestic demand and output in the USA and emerging Asia and the absence of any perceptible improvement in the European Market. This has raised a fear of global slowdown. USA being our largest trading partner, any deceleration in their economy is likely to have not so favourable an impact on our country.
- The GDP growth in 2000-2001 is likely to be about 6.00 percent as compared with 6.60 percent of previous two years.
- The Service sector growth slackened from 9.40 percent in 2000 to 8.40 percent in 2001. However the share of services sector in GDP increased to 54.20 percent from 53.00 percent and that of industrial sector increased from 21.80 percent to 21.90 percent.
- Government of India has liberalised norms for foreign investments in Banking sector in particular and other sectors such as Pharmaceuticals, Hotel, etc. in general. Import Policy has been further liberalised in keeping with the terms of GATT agreement.
- Amongst the industries. Basic Chemical & Chemical Products industries showed the highest level of growth of 14.00 percent. Machinery and Equipment industry showed a growth of 9.57 percent and Food Products industry showed a rise of 9.08 percent. The use-based classification shows that pattern of industrial growth has tilted towards the consumer goods sector (both durables and non-durables). On the other hand, growth of basic, capital and intermediate goods has declined reflecting the general sluggishness in investment demand.

**MAJOR FINANCIAL REFORMS DURING THE YEAR :**

- Banks were given the freedom to prescribe different Prime Lending Rates (PLRs) for different maturities.
- With the setting up of the Insurance Regulatory and Development Authority (IRDA) banks and non-banking financial companies have been permitted to enter insurance business.
- Amendment of Banking Regulation Act bringing about reduction of Government's stake in Public Sector Banks from 51.00 percent to 33.00 percent.
- Setting up of seven Debt Recovery Tribunals for fast recovery of dues.
- Financial reforms in Export Refinance continued.

**CO-OPERATIVE BANKS – MAJOR CHANGES MOOTED BY RBI IN THE CREDIT POLICY APRIL 2001 :**

Co-operative Banks foundation was generally based on strong community roots, acceptance of deposits from local area and lending within it primarily for the purposes of home acquisitions and other fundamental needs. However, with changing times as the needs of the people underwent a transformation, the role and functions of Co-operative Banks changed. The Cooperative Banks grew in size and the functions performed by them developed fraternal resemblance with those performed by Commercial Banks.

Furore started when a Co-operative Bank lent substantial amount of people's money to a broker. Reserve Bank of India retaliated with introduction of stringent measures for better supervision and control vide its Monetary Policy in April 2001. Important among them are :

- Setting up of a separate supervisory body for Co-operative Banks.
- Co-operative Banks barred from lending against shares,
- Dependence on call money market cut to two percent of their total Time and Demand Liabilities.
- Co-operative Banks restricted from keeping deposits with each other.

However, we are glad to inform you that the image of your Bank remained untarnished. Our total exposure to advance against shares as on 31<sup>st</sup> March, 2001 stood at Rs. 10.15 crores just about 0.54 percent of total credit exposure.

The National Federation of Urban Co-operative Banks is trying its best to soften these restrictions. Your Bank has also approached The Reserve Bank of India independently to remove some of the restrictions considering the professional way of working of the Bank.

**MAJOR CHALLENGES BEFORE THE BANK :**

- The scenario of lowered spreads continued. Banking became synonymous with technology. It was observed that all technology driven banks were comfortable with lower spreads but were offering a whole gamut of technology driven services which could earn them fees.

## THE SARASWAT CO-OPERATIVE BANK LIMITED

- It is gradually becoming inescapable to utilize ATMs as a distribution channel in a drive to come still closer to the customer.
- Indian Banking is moving from being largely domestic to a truly international one. Indian Banking costs are very high as compared to other countries and this can be offset only if the approach of economies of scale is adopted. Owing to this factor Indian Banking saw mergers occurring, not the acquisition of weak by the strong, but mergers between equals (HDFC Bank and Times Bank) (ICICI Bank & Bank Of Madura).
- Due to slackness in Industrial Sector and major industrial houses going directly to the market the portfolio of industrial advances showed reduction and the overdues in industrial advances also showed increase. This also has necessitated a conscious shift in portfolio from industry to service sector.

Bank has geared itself well for facing all these challenges. With better personalised customer service, efforts were made to increase business by volumes. Owing to dismal industrial growth emphasis was given on retail credit. Other areas attracting instantaneous attention were :

- Low Cost of Funds.
- Implementation of Total Bank Computerisation in earnest
- Better Human Resource Management
- Introduction of innovative services and products.

**FINANCIAL PERFORMANCE OF THE YEAR UNDER REVIEW :**

The salient features of financial performance of the Bank during the year ended March 31, 2001 are summarized in Table below:

(Rs. in crores)

Particulars	March 31, 2001	% to Total Income	March 31, 2000	% to Total Income	% Increase
<b>Total Income of which</b>	<b>412.86</b>		<b>383.52</b>		<b>7.65</b>
Interest Income	357.69	86.64	338.10	88.16	5.79
Non-Interest Income	55.17	13.40	45.42	11.84	21.47
<b>Expenditure</b>					
Interest on Deposits & Borrowing	217.49	52.70	216.38	56.42	0.51
Establishment Expenses	57.32	13.90	54.88	14.31	4.45
Administrative Expenses	40.63	9.80	34.38	8.96	18.18
<b>Operating Profit</b>	<b>97.42</b>	<b>23.60</b>	<b>77.88</b>	<b>20.31</b>	<b>25.09</b>
Less : Extraordinary items	9.05	2.20	17.50	4.56	(-)48.29
Provisions	34.75	8.40	15.63	4.08	122.33
<b>Gross Profit</b>	<b>53.62</b>	<b>13.00</b>	<b>44.75</b>	<b>11.67</b>	<b>19.82</b>
Transfer to Reserves	30.20	7.30	27.41	7.15	10.18
<b>Net Profit</b>	<b>23.42</b>	<b>5.70</b>	<b>17.34</b>	<b>4.52</b>	<b>35.06</b>

While interest income increased by 7.65 percent over the previous year, interest payment has shown a marginal rise of 0.51 percent, which has helped Bank achieve rise in interest spread by 15.18 percent.

In keeping with the declining trend in interest rates, Bank has been revising interest rates from time to time. This has helped your Bank to reduce the cost of funds from 9.03 percent in the previous year to 8.21 percent in this year. While yield on advances has declined from 14.68 percent to 13.42 percent, yield on investment has marginally increased to 11.57 percent as against 11.20 percent in the previous year. Yield on total funds deployed too has declined to 12.69 percent from 13.31 percent in the previous year.

Non-interest income has increased from Rs.45.42 crores to Rs.55.17 crores witnessing a rise of 21.47 percent. Major share in the non-interest income is on account of profit from sale of securities, which stood at Rs. 17.19 crores as against Rs.9.17 crores in the last year.

Establishment expenses have increased by Rs. 2.44 crores as against increase of Rs.5.51 crores in the previous year as a sequel to retirement of 208 employees under the voluntary retirement scheme in the current year. This year Bank had to make an additional provision of Rs. 9.05 crores on account of the wage revision due since 1<sup>st</sup> April, 2000, which is shown as an extraordinary item.

**APPROPRIATIONS :**

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.

## THE SARASWAT CO-OPERATIVE BANK LIMITED

Transfer to	(Rs. in lakhs)	
	2000-2001	1999-2000
Reserve Fund	585.51	433.53
Provision for payment of contribution to Education Fund of N.C.U.I.	23.42	17.34
Proposed Dividend @ 15% p.a.	325.00	314.90
Provision for <i>Ex-gratia</i> payment to the employees	785.00	724.00
Building Fund	523.05	199.32
Members' Welfare Fund	20.00	20.00
Provision for Staff Welfare Fund	10.00	10.00
Provision for Public, Charitable & Co-operative purposes	90.00	15.00
Balance to be carried forward to the next year	0.05	0.05
Total	<u>2,342.03</u>	<u>1,734.14</u>

**DIVIDEND :**

Your Directors are pleased to recommend a Dividend of 15.00 percent per annum for the year ended March 31, 2001.

**RESOURCE MOBILISATION AND DEPLOYMENT :**

In a nutshell position for past two years is as follows :

Particulars	(Rs. in crores)		
	March 31, 2001	March 31, 2000	% Increase
Deposits	2,817.76	2,379.52	18.42
Saving	674.29	617.14	9.26
Current	270.81	301.89	(-) 10.30
Term	1,872.66	1,460.49	28.22
Advances	1,805.43	1,703.11	6.01
Investments	1,255.12	956.39	31.28

The deposits of the Bank stood at Rs. 2817.76 crores as on 31st March, 2001 as against Rs. 2379.52 crores as on 31st March, 2000. The rise in percentage terms works out to be 18.42 percent. There was a marginal rise in growth of deposits as compared to last year's growth of 17.11 percent. On the other hand, advances stood at Rs. 1805.42 crores against previous year's figure of Rs. 1703.11 crores showing a growth of 6.00 percent as compared to last year's growth of 23.07 percent.

This is attributable to the recessionary trend in industry, Bank's Policy of discouraging large advances and conscious efforts to bring down the CD Ratio.

Investments during the year grew by 31.28 percent. The figure of investments stood at Rs. 1,255.54 crores, which is significantly high as compared to last year's figure of Rs. 956.39 crores.

The reasons for increase in the growth in Investments are two: the first one being the conscious decision to bring down the C.D. ratio from 71.57 percent in last year to 64.01 percent and the second being reduction in gap between the yield on advances and on Investments, making it safer to deploy funds in securities than in extending credit.

**QUALITY OF ASSETS :**

Your Bank took all possible measures to arrest the growth of Non Performing Assets by effective management of Credit. But still there has been increase in the level of NPAs. The reasons for this being adverse market conditions and slow down of the economy. The recovery process through legal means had almost come to a standstill because of technical matter on Issue of Jurisdiction.

As per the revised norm, the period for classifying sub-standard asset as doubtful asset has been reduced to 18 months from 2 years with effect from March 2001. Banks are also required to make provisions to the tune of 0.25 percent on standard assets. Total provisions have increased from Rs. 15.63 crores to Rs. 34.75 crores on account of following:

1. Provision on Standard assets Rs. 4.06 crores (Previous year Rs. 3.93 Crores)
2. Adhoc provision on NPAs Rs. 11.03 crores making total adhoc provision of Rs. 16.03 crores (Previous year Rs. 2.00 crores). Extra provision is made keeping in view the industrial recession and overall market conditions.

## THE SARASWAT CO-OPERATIVE BANK LIMITED

3. Investment Fluctuation Reserve Rs. 2.68 crores (Previous year Rs.2.57 crores). This provision has been made based on the book value of the securities and its face value, besides marking the entire portfolio to market price as per the guidelines of Reserve Bank of India.

**MOVEMENT OF NPAs FOR THE YEAR 2000-2001 :**

(Rs. in crores)

**Gross NPAs**

As on 31st March, 2000	123.86	
Additions during the year	70.66	
Reductions during the year	16.71	
As on 31st March, 2001		177.81

**Provisions**

As on 31st March, 2000	40.06	
Additions during the year	37.01	
Reductions during the year	7.16	
As on 31st March, 2001		69.91
Less : DICGC/ECGC claims and part Payment of NPA received and pending Adjustment		6.08

**Net NPAs**

As on 31st March, 2001		101.82
As on 31st March, 2000		79.02

**CAPITAL ADEQUACY :**

A strong capital base is very essential for absorbing capital losses. Main challenge lying before Banking Industry is to subscribe to the proposed New Basle Capital Accord meant to replace the existing 1988 Capital Accord. The new accord is likely to be finalized by end of 2001 and would be adopted by 2004. Your Bank's Capital Adequacy stood at 14.28 percent as compared to 12.49 percent in the last year. Capital Adequacy norms are likely to be made applicable to Co-operative Banks.

The position of Capital and Reserves of your Bank over a two-year period is as follows :

(Rs. in crores)

Particulars	March 31, 2001	March 31, 2000	% Increase
<b>Capital - Tier I</b>	<b>279.45</b>	<b>234.12</b>	<b>19.36</b>
A) Share Capital	24.44	20.35	20.09
B) Statutory Reserve	30.84	25.40	21.47
C) Other Reserves	224.17	188.37	19.04
• Building Fund	14.31	12.32	16.18
• Dividend Equalization Fund	2.20	1.77	23.94
• Development Fund	179.75	152.65	17.75
• Members Welfare Fund	2.49	2.29	8.75
• Net Open Foreign Currency Reserve	2.00	2.00	-
• Profit & Loss Account	23.42	17.34	35.06
<b>Capital-Tier II</b>	<b>9.49</b>	<b>2.69</b>	<b>257.78</b>
a) Provision for Public Charitable Trust	0.18	0.12	50.00
b) Investment Fluctuation Reserve	5.25	2.57	104.28
c) Provision on Standard Assets	4.06	-	-