

Saraswat Bank

84th Annual Report



**ASIA'S
NO.1
URBAN CO-OP.
BANK***

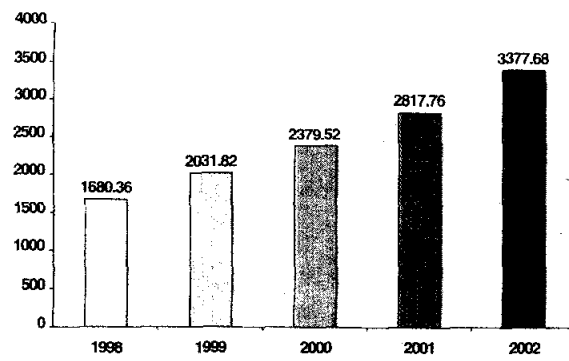
*Source: Euromoney Asia Year August 2009 (Vol. 4, Issue 10) has
ranked among all banks in Asia except Japan.



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

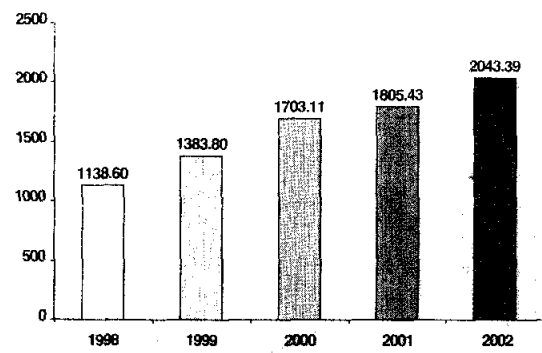
Deposits

Rs in crores



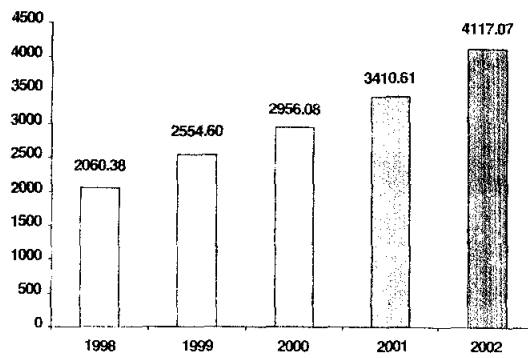
Advances

Rs in crores



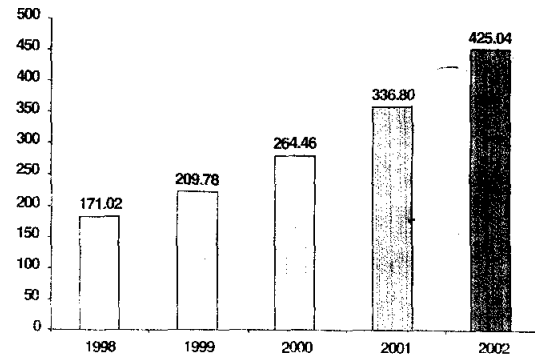
Working Funds

Rs in crores



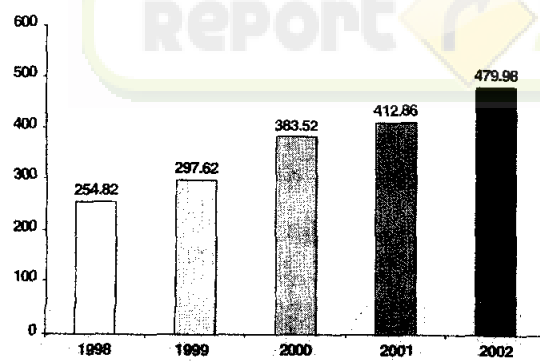
Own Funds

Rs in crores



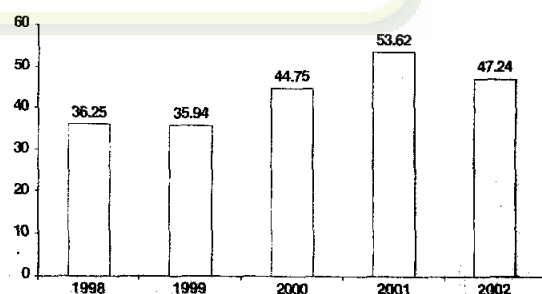
Total Income

Rs. in crores



Gross Profit

Rs. in crores



THE SARASWAT CO-OPERATIVE BANK LIMITED
(A 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 E-mail : sarcocc@glasbm01.vsnl.net.in
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 and Goa, Union Territories of Daman, Diu and Delhi, Municipal limits of Indore in Madhya Pradesh, Municipal limits of Surat and Ahmedabad in Gujarat State.
AUDIT CLASSIFICATION	: "A", Since 1933.

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THE SARASWAT CO-OPERATIVE BANK LIMITED

BOARD OF DIRECTORS

(2001-2002 TO 2003-2004)

Shri M.K. Alias Baba Parulekar B.A.
Chairman

Dr. N.J. Nayak M.D., FICA (USA)
Vice-Chairman

Directors

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

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

Shri R.V. Kalghatgi

Shri V. M. Desai B.Com., M.A., LL.M., F.C.A., C.I.A.

Shri M.P. Barde B.E. (Civil), M. Tech., M.I.E.

Shri N.R. Warekar B.Com., C.A.I.I.B.

Shri R.K. Patkar B.A. (Hons.), B.Com.

Shri W. K. Mangaokar B. Sc., LL.B., C.A.I.I.B.

Shri K.V. Rangnekar M.A. (Sociology)

Shri R. W. Gharse B. Tech. (Chem.), M.M.S.

Shri E.K. Thakur B.A.(Hons.), C.A.I.I.B.
Principal Advisor

Shri D.R. Shiroadkar 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 : Ganoo & Associates
Chartered Accountants

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

LEGAL ADVISORS :

Dr. B.R.Naik LL.M., Ph.D.
Shri 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, 2002	MARCH 31, 2001	%CHANGE
Total Income	479.98	412.86	16.26
Total Expenditure	376.69	315.44	19.42
Operating Profit	103.29	97.42	6.03
Less: Extraordinary items	—	9.05	—
Provisions	56.05	34.75	61.29
Gross Profit	47.24	53.62	(-)11.90
Less: Transfer to Reserves	21.24	30.20	(-)29.67
Net Profit	26.00	23.42	11.02
Foreign Exchange Business	15,778.00	9,005.19	75.21
AT YEAR END			
Own Funds :	425.04	336.80	26.20
Share Capital	27.08	24.44	10.80
Reserves	397.96	312.36	27.40
Deposits :	3,377.68	2,817.76	19.87
Current	287.85	270.81	6.29
Savings	788.54	674.30	16.94
Term	2,301.29	1,872.65	22.89
Advances:	2,043.39	1,805.43	13.18
Secured	2,009.02	1,771.20	13.43
Unsecured	34.37	34.23	0.41
To Priority Sector :	1,270.42	1,153.63	10.12
Small Scale Industries	756.89	724.88	4.42
Small Businessmen and Traders	115.83	92.17	25.67
Other Priority Sectors	397.70	334.57	18.87
Working Capital	4,117.07	3,410.61	20.71
Investments	1,651.98	1,255.54	31.58
Borrowings and Refinance	74.93	82.80	(-)9.50
Overdues (%)	10.81	9.14	18.27
Net NPAs (%)	5.90	5.64	4.61
Capital Adequacy (%)	13.08	14.28	(-)8.40
Members: (No.)			
Regular	85,636*	83,272*	2.84
Nominal	2,51,277	2,30,397	9.06
Branches (No.)	75	72	4.17
Employees (No.)	1,781	1,801	(-)1.11
* Members holding 50 shares and above			

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

The Eighty-Fourth Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on 3rd August, 2002 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 Accounts, 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, 2002.
2. To appropriate net profit and declare dividend as recommended by the Board of Directors in the Annual Report for the year ended March 31, 2002.
3. To appoint Internal Auditors for the year 2002-2003.
4. To amend the Bye-law No. 54

By Order of the Board of Directors

D.R. SHIRODKAR
Managing Director

Mumbai : 6th July, 2002.

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 5th August, 2002 to those members whose shares are fully paid-up on March 31, 2002 and whose names are on the register on 6th July, 2002.

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 :

- Members are hereby requested to kindly 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 Bank's records.
- Members 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.
- Members enjoying Current / Savings Bank facility and desirous of crediting dividends to their respective accounts are once again requested to record their standing instructions with the Share Department.

Unclaimed Dividends

Notice is hereby given that dividend for the year ended March 31, 1999 (78th dividend) if not drawn on or before July 31, 2002 will be forfeited and credited to the Reserve Fund Account in terms of Bye-Law No. 68A.

THE SARASWAT CO-OPERATIVE BANK LIMITED**DIRECTORS' REPORT :**

Dear Members,

Your Directors are pleased to present the Eighty-Fourth Annual Report of the Bank together with the Audited Balance Sheet as at 31 March, 2002 and relative Profit and Loss Account.

ECONOMIC BACKDROP AND BANKING ENVIRONMENT:

The entire financial sector caught in a storm since the terrorist attack of September 11, 2001 on the World Trade Centre, New York, USA. There was a global slowdown in industry as well as in services. The co-operative sector including your Bank did not remain unaffected.

- a) The real GDP growth from 'agriculture and allied activities' improved to 7.10 percent. The industrial sector showed a recession. The credit off-take of almost all industries showed a decline with the exception of iron and steel, engineering and chemicals. It was observed that consumer durables and housing had helped the credit demand over this period. This climate affected your Bank also. Our contribution to industrial sector declined but retail loans especially housing loans picked up during the year. All Banks vied with one another to give housing loans at concessional rates. This has also led experts to speculate on the asset-liability mismatch, which may arise in the long run for banks.
- b) The policy given to strengthening of domestic financial systems and international financial architecture has gathered momentum and Co-operative Banks have also been brought under the purview of Basel Committee norms. Hence, Capital Adequacy had become a critical issue and a challenge for all. Many smaller Co-operative Banks found it difficult to adhere to capital adequacy norms. Your Bank's capital adequacy ratio stands at 13.08 percent and is above the requisite level.
- c) Banking industry is in a fluid state. It is reflecting a number of underlying developments. The most important have been advances in communication and information technology. However, for most Banks the biggest challenge has been to put technology to optimum use. Any technological enhancement should make a Bank competent enough to present adequate, timely and reliable information in a standardized form. Information deficiencies make it difficult to anticipate and respond to crisis. Your Bank's efforts to strengthen its technology backbone were further continued in the year under report.

MAJOR FINANCIAL REFORMS DURING THE YEAR:

- Foreign Banks were allowed to hike their share in Indian Banks. This had threatened the advantages which inherently Indian Banks enjoyed in terms of extensive branch network, wide reach and numerous customers vis-a-vis foreign banks. These advantages may now be available to foreign banks which they may avail in tie up with any Indian Bank.
- Bank rate and CRR were reduced in the Monetary Policy for 2001-02. These moves aim at increasing liquidity so as to allow for easy availability of credit.

CO-OPERATIVE BANKS - MAJOR CHANGES MOOTED DURING 2001-2002

- Minimum Lending Rate prescribed by the Reserve Bank of India (RBI) for Co-operative Banks was reduced to 12.00 percent from 13.00 percent. Subsequently, the mandatory Minimum Lending Rate was abolished in the Credit Policy announced by RBI in April 2002. Co-operative Banks can now decide the Minimum Lending Rate based on their cost of deposits and other factors.
- Capital Adequacy norms have been made applicable from 31st March 2002. Your Bank has had a Capital Adequacy of 13.08 percent as of 31st March, 2002. The prescribed Capital Adequacy is 8.00 percent. Unless profitability is increased, this norm will result in restricting the growth of Co-operative Banks given the constraints in raising the Capital by the Co-operative Banks.
- It is proposed to allow Urban Co-operative Banks to grant loans to individuals against security of shares subject to certain parameters. Your Bank has been adopting a cautious approach in this regard.
- It is made mandatory for all Urban Co-operative Banks to have Audit Committee of their Board of Directors and it is prescribed that the approved loan proposals against shares should be placed before the Audit Committee once in two months. Banks have to ensure that loans are not granted to any individual who is in any way connected with stock trading.

THE SARASWAT CO-OPERATIVE BANK LIMITED

- Norms for adhering to Asset Liability Management have been issued to the Co-operative Banks. Effective from 31st March, 2003, Co-operative Banks shall have to submit the statements to RBI on a quarterly basis. The banks shall have to assess the gaps in various time buckets and initiate proactive measures to manage the gaps.
- It is prescribed by RBI that with effect from April 1, 2003 Scheduled Urban Co-operative Banks must hold the entire prescribed level of 25.00 percent SLR only in Government and Approved Securities.

In the ensuing year your Bank, which happens to be the largest Urban Co-operative Bank in the country, will aim at maximizing satisfaction of all stakeholders by augmenting revenues through initiatives in retail lending, personal banking and reducing NPAs by taking advantage of the 'one time settlement scheme'. The Bank shall also look forward to achieving higher growth rates in its credit portfolio as the mandatory Minimum Lending Rate for Co-operative Banks has since been removed by RBI. This will help make the pricing of advances offered by us competitive to those of other banks. The banks are in an environment which is extremely competitive and with increased pressure on their margins, the banks are identifying other avenues to augment their income. With the passage of the new Insurance Act and subsequent rationalisation of the sector, many banks have entered this sector. Banks also have the advantage of exploiting their branch networks for delivering insurance-related products. Your Bank with strong presence in Metropolitan Cities of Mumbai and Pune shall also be venturing into this sector in the next financial year in association with an insurance company.

FINANCIAL PERFORMANCE OF THE BANK:

The salient features of financial performance of your Bank during the year 2001-2002 are summarized below :

(Rs. in crores)

Particulars	March 31, 2002	% To Working Funds	March 31, 2001	% To Working Funds	% Growth
Working Funds	4117.07		3410.61		
Total Income	479.98	11.66	412.86	12.11	16.26
Interest Income	384.17	9.33	357.69	10.49	7.40
Non Interest Income	95.81	2.33	55.17	1.62	73.66
Expenditure	376.69	9.15	315.44	9.25	19.42
Interest on Deposits and Borrowings	266.44	6.47	217.49	6.38	22.50
Establishment Expenses	65.08	1.58	57.32	1.68	13.54
Administrative Expenses	45.17	1.10	40.63	1.19	11.17
Operating Profit	103.29	2.51	97.42	2.86	6.03
Less Extra-ordinary Items	0.00	0.00	9.05	0.27	-100.00
Provisions	56.05	1.36	34.75	1.02	61.27
Gross Profit	47.24	1.15	53.62	1.57	-11.90
Transfer to Reserves	21.24	0.52	30.20	0.89	-29.67
Net Profit	26.00	0.63	23.42	0.69	11.02

PROFIT:

Your Bank has made an operating profit of Rs.103.29 crores as against Rs.97.42 crores for the previous year. The operating profit grew at the rate of 6.03 percent. This year Bank's profit from trading in Treasury Operations was Rs.48.62 crores. Treasury and Forex functions have together contributed more than 50.00 percent of Bank's total operating profit. The Bank has declared a gross profit of Rs.47.24 crores as against the previous year's figure of Rs.53.62 crores. This decline of 11.90 percent is largely due to increased provisioning on NPAs as per the Reserve Bank of India norms. However, Bank achieved an increase in net profit of 11.02 percent which rose to Rs.26.00 crores from last year's Rs.23.42 crores.

THE SARASWAT CO-OPERATIVE BANK LIMITED**NET INTEREST INCOME**

The Bank's interest income grew to Rs.384.17 crores up from previous year's figure of Rs.357.69 crores registering a growth of 7.40 percent. The interest earned on advances was to the tune of Rs.209.72 crores as against Rs.226.61 crores in the previous year indicating a decline of 7.45 percent. Interest income from resources deployed in investment avenues contributed Rs.174.02 crores as against Rs.131.09 crores in the previous year.

During the year, our average yield on advances and that on investment was 11.72 percent and 10.44 percent showing a decline from previous year's yield of 13.42 percent and 11.20 percent respectively. Increase in provisioning which was netted out of interest and discount led to decline in yield on advances. Low yield on investment was in keeping with the market trend. Downward trend in interest rates also continued during the year under review.

The average cost of deposits marginally increased from 8.21 percent in the previous year to 8.35 percent despite our reducing the interest rate on deposits in quick succession on three occasions. This increased cost is attributable to deposits mobilized under senior citizens scheme at higher rate of 11.50 percent. These deposits replaced the institutional deposits of other Co-operative Banks. Sizeable institutional deposits were withdrawn during the year following restrictions imposed by RBI.

NON-INTEREST INCOME (OTHER INCOME):

The other income of the Bank grew by 73.66 percent to Rs.95.81 crores from previous year's of Rs.55.17 crores. The main contributor was profit on sale of securities, which grew by Rs.31.43 crores from the previous Rs.17.19 crores. It is observed that contribution of other income in total income is increasing over the years. This income has come as a great support as spreads are showing a decline.

OPERATING EXPENSES:

The Bank's operating expenses grew by 3.04 percent over the year 2001. The maximum share (59.00 percent) in operating expenses was of salary. Establishment expenses as a whole, however, have shown a negative growth as compared to last year. These expenses have marginally declined from Rs.66.37 crores to Rs.65.08 crores in the previous year. Administrative expenses have however increased by 11.17 percent over the previous year.

PROVISIONS AND CONTINGENCIES:

The Bank made provisions of Rs.56.05 crores for bad and doubtful debts as against Rs.34.75 crores in the previous year. Provision was increased on account of following factors:

- Changes in provisioning norms made applicable by RBI.
- Change in the status of major accounts from Sub-standard to Doubtful on account of the increased age.
- Recessionary trends in the economy which led to poor performance of many a industry and resultant default in payment of interest and/or principal repayment.

MOVEMENT OF NPAs FOR THE YEAR 2001-2002 :**Gross NPAs** (Rs. in crores)

As on 31st March, 2001	177.81
Additions during the year	93.57
Reductions during the year	18.67
As on 31st March, 2002	252.71

Provisions:

As on 31st March, 2001	69.91
Additions during the year	61.59
Reductions during the year	10.22
As on 31st March, 2002	121.28
Less: DICGC/ECGC Claims and part payment of NPA received and pending adjustment	10.78

Net NPA's

As on 31st March, 2002	120.65
As on 31st March, 2001	101.82

THE SARASWAT CO-OPERATIVE BANK LIMITED**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.

	(Rs. in lakhs)	
	2001-2002	2000-2001
Reserve Fund	650.11	585.51
Provision for payment of contribution to Education Fund of N.C.U.I.	26.01	23.42
Dividend - 2001-2002 @ 20% (for 2000-2001 @ 18%)	492.05	390.00
Provision for <i>ex-gratia</i> payment to the employees	800.00	765.00
Building Fund	537.24	458.05
Members' Welfare Fund	20.00	20.00
Provision for Staff Welfare Fund	10.00	10.00
Provision for Public, Charitable & Co-operative purposes	65.00	90.00
Balance to be carried forward to the next year	0.04	0.05
Total	2600.45	2342.03

DIVIDEND:

Your Directors are pleased to recommend a regular Dividend of 15.00 percent per annum plus Special Dividend of 5.00 percent making a total of 20.00 percent for the year ended March 31, 2002.

ASSETS:

Your Bank's total assets grew by 20.71 percent over the previous year from Rs. 3,410.61 crores to Rs.4,117.07 crores. During this period the advances portfolio increased from Rs.1,805.43 crores to Rs.2,043.39 crores, thereby showing an increase of 13.18 percent. The growth is in keeping with the 'Business Plan' approved by the Board for 2001-02. Investments increased by 31.58 percent from Rs.1,255.54 to Rs.1,651.98 crores this year. In Bank's credit portfolio 55.00 percent share was of industrial sector and 18.00 percent was of retail sector. Bank's thrust on retail segment continued. With the recent amendment in Monetary Policy of April 2002 regarding 50.00 percent of risk weight to be assigned to housing loans secured by residential property and tax reliefs for interest on housing loans, it shall remain the thrust area for next year also.

LIABILITIES:

The Bank's aggregate liabilities (excluding capital and reserves) grew by 20.11 percent. The deposits increased to Rs.3,377.68 crores from Rs.2,817.76 crores growing by nearly Rs.560.00 crores i.e. 19.87 percent. Target of Rs.3,380.00 crores was set in the Business Plan for 2001-02. During the year, Bank introduced Senior Citizen Scheme and garnered nearly Rs.150.00 crores of deposits. The low cost deposits formed 31.87 percent of total deposits and showed an increase of 11.78 percent. In the Monetary Policy for the year 2001 after the Madhavpura scam, RBI had directed that Co-operative Banks shall not keep inter-bank deposits. This Policy measure of RBI resulted in your Bank losing inter-bank deposits to the tune of Rs.133.00 crores. The loss was made up by deposits mobilized under Senior Citizen Scheme and the Bank thus maintained the momentum of deposit growth inspite of adverse circumstances.

IN A NUTSHELL, ASSET LIABILITY POSITION OF THE BANK IS AS FOLLOWS:

Particulars	March 31,2002	March 31,2001	% Increase
Deposits	3,377.68	2,817.76	19.87
Saving	788.54	674.30	16.94
Current	287.85	270.81	6.29
Term	2,301.29	1,872.65	22.89
Advances	2,043.39	1,805.43	13.18
Investment	1,651.98	1,255.54	31.58