

86TH ANNUAL REPORT 2003 - 2004

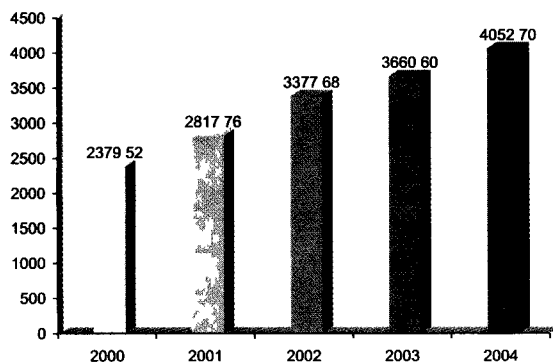
Saraswat Bank



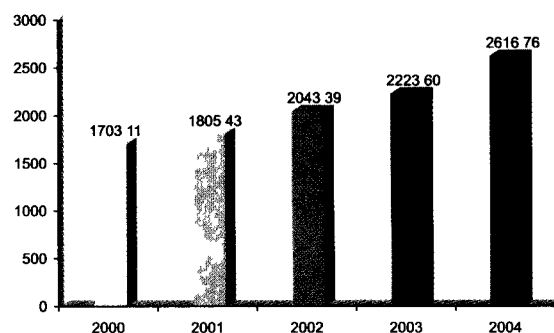
ESTD. 1918

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

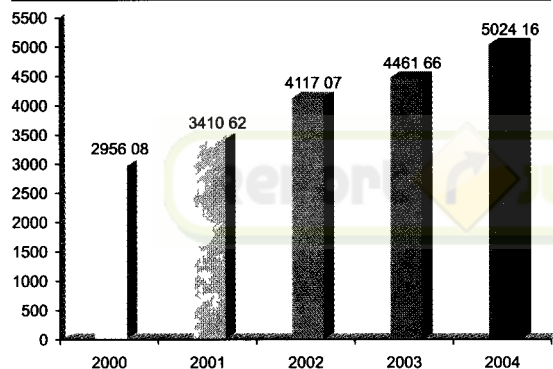
Deposits Rs in crores



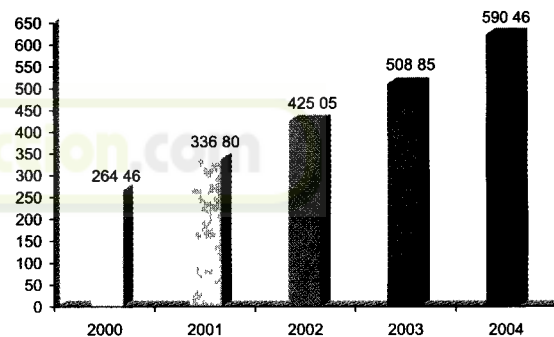
Advances Rs in crores



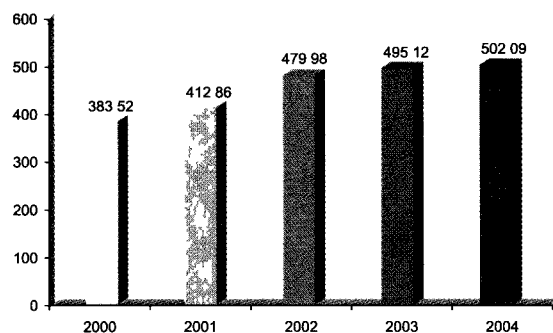
Working Funds Rs in crores



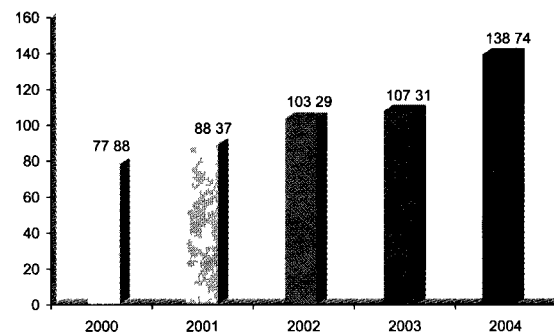
Own Funds Rs in crores



Total Income Rs in crores



Gross Profit Rs in crores



THE SARASWAT CO-OPERATIVE BANK LIMITED

(SCHEDULED BANK)



ESTD.1918

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 : saroccc@vsnl.net
DATE OF REGISTRATION	:	September 14, 1918.
NO. AND DATE OF RBI LICENCE	:	ACD-MH-220-P-Dated-27.08.1980.
AREA OF OPERATION	:	States of Maharashtra, Karnataka, Goa, Madhya Pradesh and Gujarat, National Capital Territory of Delhi, Union Territories of Daman and Diu.
AUDIT CLASSIFICATION	:	`A', Since 1933.

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C O N T E N T S

1. Mission Statement	2
2. Board of Directors, Auditors, Legal Advisors and Bankers	3
3. Performance Highlights	4
4. Notice	5
5. Report of the Board of Directors	6 – 6
6. Statutory Auditor's Report	17
7. Concise report of the Board of Directors in Marathi	18 – 19
8. Balance Sheet as at March 31, 2004	20 – 27
9. Profit and Loss Account for the year ended March 31, 2004	28 – 29
10. Notes on Accounts for the year ended March 31, 2004	30 – 32
11. Cash Flow Statement	33
12. Progress at a Glance	34 – 35
13. Involvement of Small Man	36
14. Industry-wise Deployment of Credit	37
15. Amendments to Bye-Laws	38 – 81



MISSION STATEMENT

“TO EMERGE AS ONE OF THE PREMIER

AND MOST PREFERRED BANKS IN THE

COUNTRY BY ADOPTING HIGHEST

STANDARDS OF PROFESSIONALISM

AND EXCELLENCE IN ALL THE AREAS OF

WORKING”.

BOARD OF DIRECTORS

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

Shri. K. V. Rangnekar, M.A.
Vice-Chairman

DIRECTORS

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

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

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

Shri. R. V. Kalghatgi

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

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

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

Shri. V.K. Gaikwad

Shri. G.H. Sinari, B.Sc.

Prof.J.S.Walawalkar, B.Com.(Hons.), LL.B., F.C.A., A.C.S.

Shri. S. K. Banerji B.Sc.(Hons.), D.B.M., LL.M.
Managing Director

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SHARE DEPARTMENT :

'Madhushree', Fourth Floor,
Plot No.85, Dist.Business Centre, Sector 17, Vashi,
Navi Mumbai - 400 703.
Tel.No.: 2789 2920 / 49 / 50

AUDITORS :**STATUTORY AUDITORS**

M/s. Kulkarni and Khanolkar
Chartered Accountants

LEGAL ADVISORS :

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

M/s. Little and Company

Shri. A. V. Sabnis, LL.B.

Shri G.G. Desai, B.A., LL.M.

Shri. D. M. Utekar, M.A., LL.B.

BANKERS :

State Bank of India

Union Bank of California, N.A.

Bank of India

American Express Bank Ltd.

ICICI Bank Ltd.

Standard Chartered Bank Ltd.

HDFC Bank Ltd.

Maharashtra State Co-operative Bank Ltd.



THE SARASWAT CO-OPERATIVE BANK LIMITED

ESTD. 1918

PERFORMANCE HIGHLIGHTS

(Rs. in crores)

FOR THE YEAR	MARCH 31, 2004	MARCH 31, 2003	%INCREASE
Total Income	502.09	495.12	1.41
Total Expenditure	363.35	387.81	(-)6.31
Gross Profit	138.74	107.31	29.29
Less : Provisions/Transfers	76.49	77.95	(-)1.87
Operating Profit	62.25	29.36	112.02
Less : Deductions	-	-	-
Net Profit	62.25	29.36	112.02
Foreign Exchange Business	15,867.00	15,289.00	3.78
AT YEAR END			
Own Funds	590.46	508.85	16.04
Share Capital	34.58	30.44	13.60
Reserves	555.88	478.41	16.19
Deposits	4,052.70	3,660.60	10.71
Current	355.18	324.59	9.42
Savings	1,009.00	859.99	17.33
Term	2,688.52	2,476.02	8.58
Advances	2,616.76	2,223.60	17.68
Secured	2,533.29	2,151.83	17.73
Unsecured	83.47	71.77	16.30
To Priority Sector	1,638.78	1,389.08	17.98
Small Scale Industries	957.25	812.96	17.74
Small Businessmen and Traders	140.17	101.22	38.48
Other Priority Sectors	541.36	474.90	13.99
Working Capital	5,024.16	4,461.66	12.61
Investments	1,657.95	1,772.63	(-)6.47
Borrowings and Refinance	50.52	32.62	54.87
Net NPAs (%)	1.92	3.99	
Capital Adequacy (%)	12.16	13.32	
Members : (No.)			
Regular	94,044	89,117	
Nominal	3,02,322	2,74,700	
Branches (No.)	75	76	
Employees (No.)	1,797	1,790	

NOTICE

The Eighty-sixth Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Friday, July 16, 2004 at 5.00 p.m. at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai-400 020 to transact the following business:

- 1.A) To consider the Annual Accounts, which consist of the Profit and Loss Account, the Balance Sheet, the report of the Board of Directors and the report of Statutory Auditor for the year ended March 31, 2004.
- B) To create w.e.f. 31/3/2004 a "General Reserve" and transfer the entire balance of Rs. 2,01,95,14,739/- in the Development Fund to various funds as follows:

i. Statutory Reserve	Rs.	50,48,80,000
ii. Contingency Reserve	Rs.	20,19,55,000
iii. Provision for Education Fund of N.C.U.I.	Rs.	2,01,95,000
iv. Building Fund	Rs.	55,00,00,000
v. General Reserve	Rs.	74,24,84,739
Total	Rs.	2,01,95,14,739

2. To appropriate net profit and declare Dividend as recommended by the Board of Directors for the year ended March 31, 2004.
3. To appoint Statutory Auditor for the year 2004-05 and to authorise the Board to fix their remuneration. The Board of Directors recommends M/s. Kulkarni and Khanolkar as Statutory Auditor.
4. To approve amendments to the Bye-laws.

By Order of the Board of Directors

Mumbai : June 5, 2004.

S.K.BANERJI
Managing Director

NOTE : Copy of the printed Annual Report consisting of Profit and Loss Account, Balance Sheet, the report of the Statutory Auditor for the year ended March 31, 2004 and proposed amendments to the Bye-laws are sent with this notice.

If there is no quorum at the appointed time, the meeting shall stand adjourned to 5.30 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 July 19, 2004 to those shareholders whose shares are fully paid on March 31, 2004 and whose names are on the record of the Bank as on June 23, 2004.

If any member desires to have information in connection with the accounts, he/she is requested to address a letter to the Managing Director, to reach his office at Mittal Court, 'A' Wing, First Floor, Vidhan Sabha Marg, Nariman Point, Mumbai - 400 021, not later than July 9, 2004 so that the required information may be made available at the Annual General Meeting.

TO SERVE YOU BETTER:

1. Shareholders are hereby requested to kindly verify their names and addresses on 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.
2. Shareholders are requested to avail of Nomination Facility by submitting prescribed nomination form as required under Section 36 of the Multi-State Co-operative Societies Act, 2002, and our Bye-Law No.19.
3. Shareholders having Current / Savings Bank account with the Bank and desirous of crediting their dividends to their accounts are once again requested to record their standing instructions with the Share Department.

UNCLAIMED DIVIDEND

Notice is hereby given that dividend for the year ended March 31, 2001 (80th Dividend) if not drawn on or before August 16, 2004, will be forfeited and credited to the Reserve Fund Account in terms of Bye-law No 68A.



DIRECTORS' REPORT

Dear Member,

Your Directors have great pleasure to present the Eighty-sixth Annual Report on the business and working of the Bank together with the Audited Accounts for the year ended March 31, 2004.

THE YEAR THAT WAS.....

On the back of well spread monsoon and revival of the industrial sector Indian economy witnessed strong upsurge of growth. From the end of second quarter, the Indian economy experienced higher growth in GDP at around 8.00% to 10.00%. Though component of Agriculture in our GDP is still significant, share of other sectors such as Manufacturing and Service sector has been rising. These economic developments have placed India in the league of fastest growing economies of the world.

The interim budget announcements did not contain any far-reaching policy initiatives. On the monetary policy front, the country witnessed a downward trend in interest rates in general and in Housing sector in particular the interest rates have virtually reached their bottom. In the ensuing year, interest rates are poised to look up, particularly owing to spiralling oil prices.

The foreign exchange reserves of the Reserve Bank of India (RBI) showed tremendous growth during the year with reserves crossing the mark of USD 100 billion. The growth shows renewed interest and confidence of NRI community and foreign institutional investors in the Indian Economy. With a comfortable foreign exchange reserves position, RBI continued further liberalization in movement of funds in and out of the country. Major liberalisations announced by RBI included the following :

- Direct receipt of import bills/documents by importers upto USD 1 lakh
- Relaxation of External Commercial Borrowing norms
- Waiver of submission of declaration of exports upto USD 25000/-
- Permitting Banks to grant Rupee loans to NRIs
- Allowing NRIs to remit money abroad upto USD 1 million
- Allowing Indian residents to remit upto USD 25000/- to acquire assets abroad.

The continuous foreign inflows had upward pressure on the Rupee. However, the RBI kept the appreciation under constant watch and control through timely interventions. Inspite of the appreciation of the Rupee, the exports grew by 8.00%. The imports too have increased owing to the reviving economy.

Deposits of the banking sector as a whole witnessed a growth of 17.30% over the previous year. Non-food credit by scheduled commercial banks too showed a rise of 17.60% during the said period. During the financial year 2003-04, interest rates continued to move southwards, however, pace of reduction slowed. Banks have been witnessing falling spreads and declining trend in fee incomes. Therefore, to maintain profitability, banks had to adopt cost control initiatives. The Indian Banks' Association, in its Vision Document for the banking industry has also emphasized the importance of cost control in maintaining profitability.

BANKING INDUSTRY - VISION 2010 :

The Indian Banking Industry has undergone a sea change in the wake of economic reforms. In view of stringent prudential capital adequacy norms proposed under Basel II, intense competition unleashed under the new WTO regime, Free Trade Agreements and also to meet the new challenges of a market driven and highly competitive economy, the Banking industry needs to gear itself up. The Indian Banks' Association

constituted a study group to assess the position of Banking Industry in the years ahead and to prepare a road map for meeting the international norms. The report prepared by the group, was adopted by Indian Banks' Association and is titled as Banking Industry - Vision 2010. The underlying factors in the preparation of this report were economic indicators as envisaged in "India Vision 2020" of the Government of India. The report has covered the following aspects : Changes in the structure of the Banks, Product innovation and process re-engineering, Technology, Risk Management, Regulatory and Legal environment, Human Resource Management, Rural and Social Banking. This Report has been carefully considered by your Board for future course of action.

BUSINESS GROWTH :

On the business front, in view of the recessionary trends in the economy prevailing in the beginning of the year, your Bank had adopted conservative credit expansion policies. In keeping with the market trend, rates on deposits were reduced twice in the year, which helped us to contain the average cost of deposits at 6.48% for the financial year under report. Growth in deposits has been higher during the current year at 10.71% as compared to the last year's growth of 8.38%. The advances have shown a substantial growth of 17.68% as compared to 8.82% last year. As on March 31, 2004, the Deposits of your Bank stood at Rs. 4,052.70 crores and Advances were at Rs. 2,616.76 crores. Bank's Prime Lending Rate (PLR) was reduced from 12.00% in March 2003 to 11.00% in March 2004. In spite of reducing the lending rates your Bank has been able to maintain a spread of 3.60%.

Branch Expansion was on a low key during the year. As a strategic decision Bank has explored another low cost alternative by opening 5 extension counters in new upcoming areas namely, Thane, Powai, Parel in Mumbai and one each in Pune and Aurangabad. Business potential and response to these extension counters would be the deciding factor for converting them into full-fledged branches at a later stage. Total number of branches is reduced from 76 to 75 as two branches in Girgaum have been merged to increase the operational efficiency.

TECHNOLOGY :

After successful implementation of OMNI software at all the branches and after the installation of 14 new ATMs (making a total of 25 ATMs), your Bank can now offer multiple channels of delivery like Any Branch Banking, Any Time Banking, Internet Banking though in a limited way and Telephone Banking. The off-site ATM recently installed at Thane can be viewed as another strategic low cost alternative to opening a full-fledged branch. In the ensuing year, your Bank will implement a comprehensive Core Banking Solution, thus bringing itself on par with other technology savvy banks.

Your Bank is proud to be amongst the first four Banks, along with State Bank of India, HDFC Bank and Standard Chartered Bank, actively involved in the implementation of Real Time Gross Settlement (RTGS), RBI's new technology driven settlement system. The RTGS went live on 26th March, 2004. RTGS implies one to one instantaneous settlement of transactions between parties. To start with, interbank transactions and in the second phase, customer transactions would be settled through this platform. Eventually, the instrument-based fund transfer system will give way to message-based fund transfer.

THE YEAR AHEAD.....

There is a change in Government at the Centre which consists of a new alliance of political parties and as such policy changes are expected. The approach of the new Government would now decide the pace of the financial sector reforms, labour reforms and some of the key concerns such as disinvestments, subsidies, tax structure, etc. However, it augurs well for the Indian economy that both the esteemed Prime Minister and Finance Minister have a proven track record on reforms.



THE SARASWAT CO-OPERATIVE BANK LIMITED

With the banking sector becoming more and more competitive and as service to the customer is the key driver for growth, your Board has adopted a conscious approach that the future growth of your Bank would rest upon following three strong pillars :

- Your Bank will be a customer centric organization – Each and every activity in the Bank will be evaluated in terms of the value it will add to our customers.
- Your Bank will be a performing organization – At every stage of working, it is the performance, which will be the key element of evaluation.
- Your Bank will be a learning organization – The Board believes in continuous upgradation in knowledge and skill levels of each and every employee of the Bank.

With the above perspective in mind, following initiatives have been taken by the Bank:

i) CORE BANKING SOLUTION :

On the Technology front, the pending issue with M/s i-flex solutions has been resolved amicably and the Bank is now moving towards Core Banking environment. After careful screening it has been decided to implement the Core Banking Solution developed by M/s. Infracsoft Technologies Ltd. The existing software is also developed by M/s. Infracsoft Technologies Ltd. and hence moving towards their Core Banking Solution would mean upgradation. In the process, a lot of time and energy would be saved in terms of efforts towards data conversion and migration. Pre-implementation processes are going on and soon your Bank will offer various technology based products and services. This will help us to migrate the branches from being the processing centres to marketing and customer centric outfits. It will also extend the Bank's reach to its customers by multiple delivery channels such as ATM, Internet, mobile, etc. This will bring us on par with the leading banks in the country on the technology front.

ii) IT SUBSIDIARY :

A lot of knowledge base and talent pool has been developed in-house in the information technology area. It is therefore proposed to form a wholly owned subsidiary corporate entity, which can draw upon the in-house expertise so developed and offer services in the area of IT consultancy/implementation to other co-operative banks. We have already ammended the Bye-laws for the purpose and we have obtained approval from the Central Registrar. The matter is now awaiting approval from the RBI.

iii) ESTABLISHMENT OF A COST COUNCIL :

With the possibility of spreads falling further, focus on cost control initiatives will attain momentum in the coming year. Realising the need to exercise control over costs, your Bank has embarked on a cost control exercise to achieve the twin objectives of cost reduction and improvement in productivity by leveraging cost efficacy. To nurture a structured and policy backed effort, a Cost Council comprising a cross-section of executives from various departments has been formed during the year. Hence, alongwith growth in business, there would be a focussed approach for controlling costs resulting in efficient use of resources.

iv) NEW THRUST IN HRD :

In order to further the cause of making this organisation a learning organisation, following areas have been identified for knowledge upgradation of the employees :

- | | |
|--|--|
| ● Customer Relationship Management and Marketing | ● Preventive Vigilance |
| ● Development of new products and services | ● Advancements in Information Technology |
| ● Productivity Enhancement | ● Cost Control |
| ● Vision 2010 | |

v) ATM SHARING :

With a view to expand the geographical reach, your Bank has already formalised a tie-up with "BANCS" a