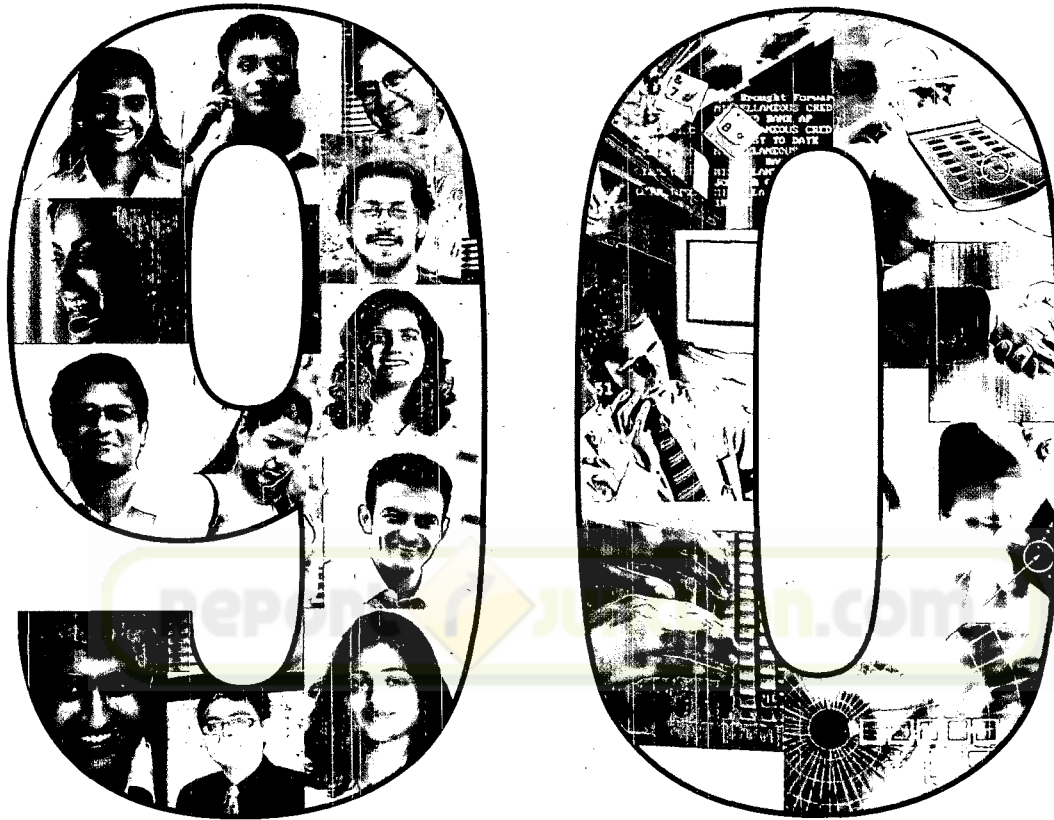


90th Annual Report 2007-2008



Fair banking and now much else ...



ESTD.1918

दि सारस्वत को-ऑपरेटिव्ह बँक लि.

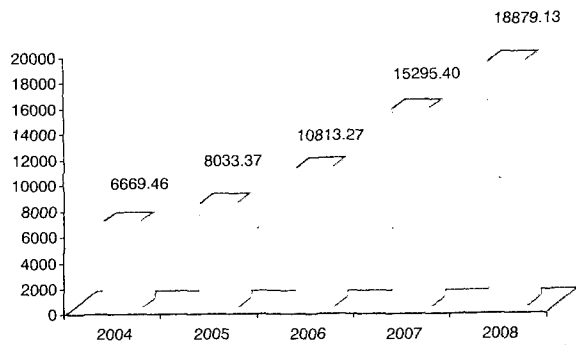
(शेड्युल्ड बँक)

THE SARASWAT CO-OPERATIVE BANK LTD.

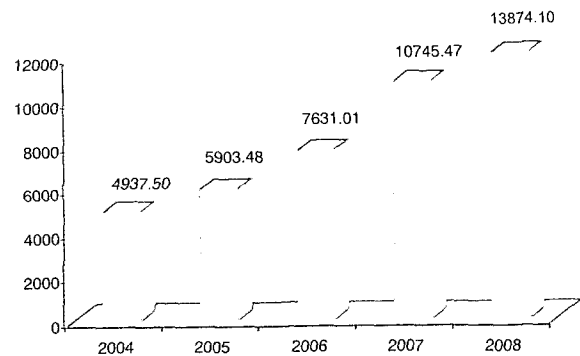
(A Scheduled Bank)

Over
-Your  Bank!

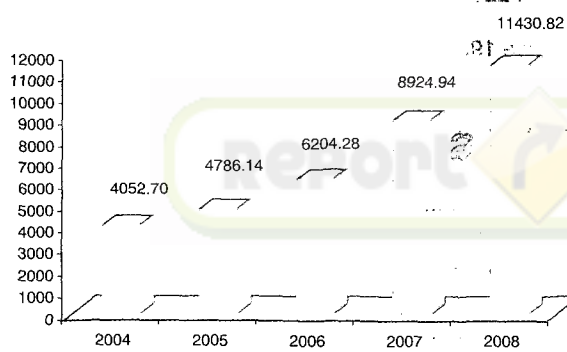
Total Business (Rs. in Crore)



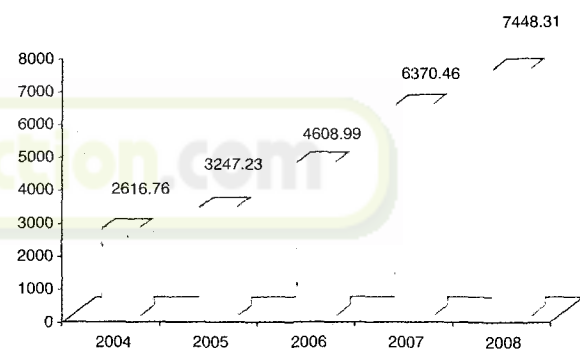
Working funds (Rs. in Crore)



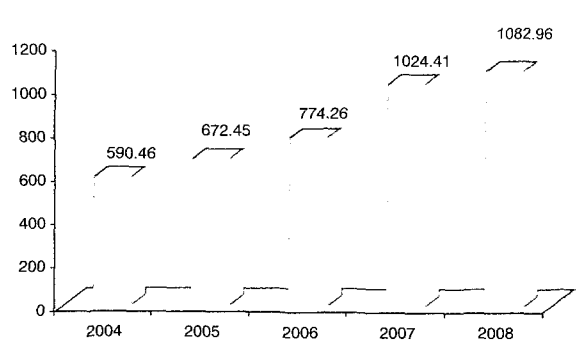
Deposits (Rs. in Crore)



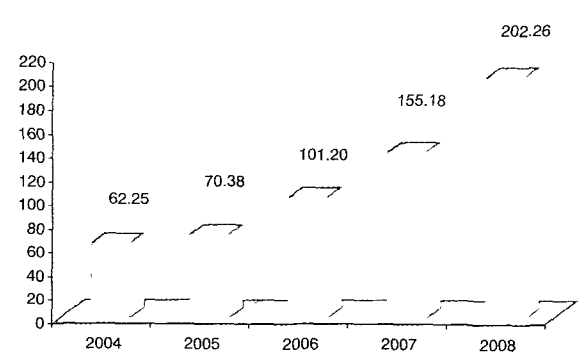
Advances (Rs. in Crore)



Own funds (Rs. in Crore)



Net Profit (Rs. in Crore)





THE SARASWAT CO-OPERATIVE BANK LIMITED

(A SCHEDULED BANK)



ESTD.1918

- **REGISTERED OFFICE** : 'Madhukosh', S. V. Sovani Path,
Girgaum, Mumbai-400 004.
- **CORPORATE OFFICE** : Mittal Court, 'A' Wing,
First Floor, Vidhan Bhavan Marg,
Nariman Point, Mumbai-400 021.
Website : www.saraswatbank.com
- **DATE OF REGISTRATION** : September 14, 1918.
- **NO. AND DATE OF RBI LICENCE** : ACD-MH-220-P Dated 27.08.1980.
- **AUDIT CLASSIFICATION** : 'A' (Since 1933).

C O N T E N T S

1. Notice	2
2. Board of Directors, Auditors, Legal Advisors and Bankers	3
3. Performance Highlights	4
4. Report of the Board of Directors	5 - 32
5. Concise Report of the Board of Directors in Marathi	33 - 42
6. Statutory Auditors' Report	43
7. Balance Sheet as at March 31, 2008	44 - 51
8. Profit and Loss Account for the year ended March 31, 2008	52 - 53
9. Notes on Accounts for the year ended March 31, 2008	54 - 59
10. Cash Flow Statement	60
11. Amendments to Bye-Laws	61 - 62
12. Industry-wise Deployment of Credit	63
13. Progress at a Glance	64 - 65
14. Involvement of Small Man	66
15. Report of the Board of Directors of Saraswat Infotech Ltd.	67 - 70
16. Statutory Auditors' Report of Saraswat Infotech Ltd.	71 - 73
17. Balance Sheet of Saraswat Infotech Ltd. as at March 31, 2008	74
18. Profit and Loss Account of Saraswat Infotech Ltd. for the year ended March 31, 2008	75
19. Schedules forming part of Accounts for the year ended March 31, 2008 of Saraswat Infotech Ltd.	76 - 81
20. Balance Sheet Abstract and General Information of Saraswat Infotech Ltd.	82
21. Attendance Slip	87


THE SARASWAT CO-OPERATIVE BANK LIMITED
NOTICE

The Ninetieth Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Saturday, July 5, 2008 at 4.00 p.m. at Yogi Sabhagruha, Near Dadar Central Railway Station, Behind Swaminarayan Mandir, Dadar (East) Mumbai 400 014 to transact the following business concerning the Bank:

1. To consider and approve 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 the Statutory Auditors, for the year ended March 31, 2008.
2. To appropriate net profit and declare dividend as recommended by the Board of Directors for the year ended March 31, 2008.
3. To appoint Statutory Auditors for the financial year 2008-09 and to authorise the Board of Directors to fix their remuneration. The Board of Directors recommends M/s M. P. Chitale & Co., Harman House, 1st Floor, Ambalal Doshi Marg, Fort, Mumbai - 400 001 for appointment as Statutory Auditors.
4. To approve amendments to the Bye-laws of the Bank:
 - i. To insert a new Bye-law No. 6-D concerning issuance of shares to a Trust formed for the benefit of employees of The Saraswat Co-op Bank Ltd.

- ii. To amend Bye-law No. 54 to create reservation for woman-member as Director on the Board of Directors of the Bank.

5. To place for consideration and adoption, the Annual Report and Audited Accounts of Saraswat Infotech Ltd., (Bank's wholly-owned Subsidiary Company, registered under Companies Act, 1956) which consist of the Profit and Loss Account, the Balance Sheet, the Report of the Board of Directors and the Report of the Statutory Auditors, for the year ended March 31, 2008.
6. To grant Leave of Absence to the members of the Bank other than to those whose names appear in the Attendance Register of this 90th Annual General Meeting.

By Order of the Board of Directors

S.K.Banerji
Managing Director

Mumbai : June 7, 2008.

NOTE : The Printed Annual Report of the Bank consisting of Profit and Loss Account, Balance Sheet, the Reports of the Board of Directors and Statutory Auditors for the year ended March 31, 2008 of the Bank are sent with this notice.

The Printed Annual Report consisting of Profit and Loss Account, Balance Sheet, the Reports of the Board of Directors and Statutory Auditors for the year ended March 31, 2008 of Saraswat Infotech Ltd., Bank's wholly-owned subsidiary, are sent with this notice.

If there is no quorum at the appointed time in terms of Bye-Law No.48, 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 same venue irrespective of the Rule of Quorum.

Dividend, when declared, will be paid on or after 1st August 2008 to those shareholders whose shares are fully paid as on March 31, 2008 and whose names are on the record of the Bank as on June 9, 2008.

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 The Saraswat Co-operative Bank Ltd., Mittal Court, 'A' Wing, First Floor, Vidhan Bhavan Marg, Nariman Point, Mumbai 400 021, not later than June 30, 2008, 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 name and address on the Annual Report sent to them. The change in address, if any, may kindly be intimated by post or by e-mail to the Share Department for updating Bank's records. E-mail address of Share Department is **incharge_sharedepartment@saraswatbank.com**.
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 Bye Law No.19.
3. Shareholders having Current/Savings Bank/Cash Credit accounts 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, 2005 (84th Dividend) if not drawn on or before July 20, 2008, will be forfeited by the Bank and credited to Reserve Fund in terms of Bye-Law No.68A.



ESTD.1918

THE SARASWAT CO-OPERATIVE BANK LIMITED

(A SCHEDULED BANK)

BOARD OF DIRECTORS

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

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

DIRECTORS

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

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

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

Shri M. K. alias Baba Parulekar, B.A.

Shri A. V. Dubhashi, B.Com., A.C.A.

Shri S. V. Deshpande, B.Com., LL.B.

Shri S. S. Sanzgiri, B.A.

Shri S. K. Sakhalkar, M.Com., PGD P.M. & I.R.,
PGD Computer Science

Shri S. S. Shirodkar, Dip. in Industrial
Electronics, PGD in Management

Shri A. A. Pandit, B.Com., F.C.A., D.B.F.

Shri H. M. Rathi, B.Com.
(From December 10, 2007)

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

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 k. M. Naik, B.A., LL.B.

CONSULTANTS:

Shri S. N. Sawaikar, Principal Advisor (BPR)

Shri B. L. Patwardhan, Advisor (BPR)

BANKERS:

State Bank of India

Wachovia Bank, N.A

Bank of India

American Express Bank Ltd.

HDFC Bank Ltd.

Standard Chartered Bank Ltd.

ICICI Bank Ltd.

Maharashtra State Co-operative Bank Ltd.

WHOLLY-OWNED SUBSIDIARY



SARASWAT INFOTECH LIMITED

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

Shri A. V. Dubhashi, B.Com., A.C.A.
Chairman

Shri M. P. Kunkalienkar, B.Tech. (Elec. Engg.), M. Tech.(Computer Science) IIT, Powai, Mumbai
Managing Director & Chief Executive Officer

Shri Yusuf Lanewala, B.Com., M.B.A. (State University of New York, USA)
Whole Time Director



THE SARASWAT CO-OPERATIVE BANK LIMITED

PERFORMANCE HIGHLIGHTS

Table A

(Rs. in crore)

FOR THE YEAR ENDED			
For the Year	31-Mar-07*	31-Mar-08	% Change
Total Income	786.90	1177.59	49.65%
Total Expenditure	589.29	931.24	58.03%
Gross Profit	197.61	246.35	24.66%
Less: Provisions	15.53	6.20	-60.08%
Less: Transfer to Special Reserve	0.00	8.31	-
Net Profit before Tax (Operating Profit)	182.08	231.84	27.33%
Less: Income Tax	26.90	29.58	9.96%
Net Profit	155.18	202.26	30.34%
Foreign Exchange Business	41970.00	44108.00	5.09%
AT THE YEAR END			
Own Funds	1024.41	1088.28	6.23%
Share Capital	68.77	71.21	3.55%
Reserves	955.64	1017.07	6.43%
Deposits	8924.94	11430.82	28.08%
Current	698.62	881.65	26.20%
Savings	1757.11	2156.78	22.75%
Term	6469.21	8392.39	29.73%
Advances	6370.46	7448.31	16.92%
Secured	6186.78	7174.60	15.97%
Unsecured	183.68	273.71	49.01%
Priority Sector	3856.91	4557.06	18.15%
Small Scale Industries	2168.20	1977.07	-8.82%
Small Businessmen and Traders	269.93	687.72	154.78%
Other Priority Sectors	1418.78	1892.27	33.37%
Working Capital	10745.47	13874.10	29.12%
Investments	2609.90	4350.06	66.68%
Borrowings & Refinance	318.56	730.61	129.35%
Net NPA (%)	0.00	0.00	
Capital Adequacy (%)	11.37	10.85	
Members : (No.)			
Regular **	123169	126174	
Nominal	424040	441839	
Branches (No.)	105	153	
Employees (No.)	2251	2834	

* Figures for the last year have been restated where necessary.

** Shareholders holding shares 50 and above



REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have great pleasure to present the Ninetieth Annual Report on the business and operations of the Bank together with the Audited Accounts for the year ended March 31, 2008.

1. THE REAL ECONOMY:

During F.Y. 2007-08, the Indian economy continued to expand at a robust pace for the fifth consecutive year, although there was some undulation in the growth momentum during the course of the year. The GDP growth rate moderated to 9.0 per cent in F.Y. 2007-08 from 9.6 per cent in F.Y. 2006-07. The moderation in growth occurred in two sectors, viz. industry (from 10.6 per cent in F.Y. 2006-07 to 8.6 per cent in F.Y. 2007-08) and services (from 11.2 per cent in F.Y. 2006-07 to 10.6 per cent in F.Y. 2007-08). The manufacturing sector growth declined from 12.0 per cent to 8.8 per cent. The growth of the Indian economy during F.Y. 2007-08 was driven by investment and agricultural growth. Agricultural growth increased from 3.8 per cent in F.Y. 2006-07 to 4.5 per cent in F.Y. 2007-08. India continued to be one of the fastest growing economies in the world registering an average GDP growth of 9.3% over a three-year period. This was reflected in India's per capita income, which reached Rs. 33,299 in F.Y. 2007-08.

Fiscal Situation:

There was a significant increase in the tax and non-tax revenue, which more than offset the increase in the revenue expenditure on account of higher provision for interest payments and subsidies. The Gross Fiscal Deficit (GFD) was lower on account of the lower revenue deficit coupled with a decline in capital expenditure. For F.Y. 2008-09, fiscal deficit has been targeted at 2.5% under the Fiscal Responsibility and Budget Management (FRBM) Act.

Monetary and Liquidity Conditions:

Broad-money growth at 20.7 per cent at end-March 2008 was above the indicative trajectory of 17.0 -

17.5 per cent for F.Y. 2007-08. The Reserve Bank continued to actively manage liquidity during F.Y. 2007-08 by using all the policy instruments at its disposal including raising of cash reserve ratio (CRR) from 6 per cent in March 2007 to 7.50 per cent in March 2008, issuances under the market stabilization scheme (MSS), the liquidity adjustment facility (LAF) and conduct of open market operations (OMO).

Higher broad-money (M3) growth was due to the accretion to net foreign exchange assets. Non-food credit by Scheduled Commercial Banks expanded by 22.3 per cent compared to 28.5 per cent a year ago, mainly because the regulators were keen to avoid overheating of the economy, which was experienced in the previous financial year due to credit growth at 27.99%.

Addressing the Macro-economic policy realm, the Committee on Financial Sector Reforms (CFSR) chaired by Mr. Raghuram Rajan has argued for transiting from a tightly managed exchange rate to a predominantly market determined one. In our view, such an approach is entirely consistent with both the stability and allocative efficiency criteria. The explicit acceptance of exchange rate risk into all financial calculations, whether exposures are direct or indirect are in our opinion critical to the system.

Price Situation:

The combined impact of higher food, commodity and fuel prices (\$104.56 per barrel in March 2008) as well as strong demand conditions pushed up the inflation during the second half of F.Y. 2007-08. The wholesale price index (WPI) declined to a low of 3.1 per cent but began to inch up in December 2007 and touched 7.4 per cent by March 29, 2008.

To control headline inflation the Government of India initiated a number of fiscal and supply-augmenting measures during F.Y. 2007-08 viz. reduction of import duties and barriers, imposition of export restrictions, import of food grains and not passing the increase in fuel prices to ultimate consumers. RBI also



initiated number of monetary measures to check inflation.

Domestic equity prices, which had recorded further gains up to early-January 2008, witnessed sharp corrections thereafter on the back of heightened uncertainties in the global financial markets and concerns about some slowdown in the domestic economy.

Financial Markets:

Global financial markets witnessed turbulent conditions during F.Y. 2007-08 as the crisis in the US sub-prime mortgage market deepened and spilled over to credit markets. In U.S.A. despite inflationary pressures, the Federal Reserve lowered key interest rate by 325 basis points to 2 per cent with a view to prop up consumption. As a consequence, US dollar depreciated against major currencies resulting in re-pricing of growth risk by the end of the year. During F.Y. 2007-08, the Indian Rupee generally exhibited two-way movements from a low of Rs. 43.15 to a dollar to a high of Rs. 39.26 to a dollar on the back of large capital inflows. Towards March-end the Indian Rupee was Rs. 39.99 per US dollar.

India's foreign exchange reserves were US \$ 309.7 billion as at end-March 2008, showing an increase of US \$ 110.5 billion over end-March 2007. India holds the third largest stock of foreign exchange reserves among the emerging market economies.

Going forward, US recession is likely to hit some specific sectors of the Indian economy. However, strong domestic consumption is expected to keep Indian economy growing in the range of 7.5% to 8% p.a.

2. MAJOR DEVELOPMENTS IN BANKING INDUSTRY:

- Banking industry continued to grow both in terms of deposits and advances. The aggregate deposits of the Banking industry grew from Rs. 26,08,309 crore in F.Y. 2006-07 to Rs. 32,92,565 crore in F.Y. 2007-08 posting a rise of 26.03%; while advances for the same period grew from

Rs.19,28,913 crore to Rs. 24,31,637 crore registering a growth of 26.06%.

- Sub-prime crisis in USA marginally affected Indian Banks having international presence. However in respect of derivative trades, a few Indian Banks as well as corporate clients banking with them booked losses which affected their bottom lines.
- Mergers and consolidation story has continued during the year under Report. Centurion Bank of Punjab was merged with HDFC Bank.
- Indian Overseas Bank evinced its interest for taking over Pune-based Suvana Sahakari Bank Ltd., which is sick. We are of the view that if commercial banks are allowed to take over co-operative banks, it will eventually destabilize the entire co-operative sector. It is true that Pune-based trouble-ridden Rupee Co-operative Bank Ltd. and the Suvana Sahakari Bank Ltd. have been causing concern to regulators, who have to take some drastic measures in respect of these banks. It is in this backdrop, your Bank has made a proposal, both to RBI and the Commissioner for Co-operation and Registrar of Cooperative Societies, Maharashtra State, Pune, to hand over these banks to us under a full management contract. In view of our impeccable record in taking over and turning around weak and sick urban co-operative banks, we are sanguine that our proposals for total management contract of these banks will find favour with the Licencing and Regulatory authorities.

3. THE CO-OPERATIVE SECTOR:

- The Report of Raghuram Rajan Committee on Financial Sector Reforms (CFSR) has strongly made a case for implementing the recommendations of Vaidyanathan Committee on co-operative banks. The Committee has also submitted that it would be possible to reach the poor of India more efficiently not through public sector banks or private sector banks but through co-operative banks and similar such structures



having a local culture. The CFSR Report which is being highly regarded in financial circles, in a way, vindicates your Bank's request to RBI to allow us to open a Micro-Finance Subsidiary which proposal was earlier turned down by RBI. We have approached the RBI to reconsider their earlier decision in the light of the well-considered views of Raghuram Rajan Committee. The Committee has also recommended the creation of a National Commission on Inclusive Growth.

- As a sequel to the signing of MOU by the Government of Maharashtra with RBI, a TAFCUB has been constituted for the co-operative banks in the Maharashtra State, which has initiated steps for reviving weak and sick Urban Co-operative Banks in Maharashtra.
- We may add that a separate TAFCUB for multi-state co-operative banks has been established and the Federation of Urban Co-operative Banks in Maharashtra has nominated your director Shri E. K. Thakur as a member on the said TAFCUB.
- Scheduled Urban Co-operative Banks have been brought at par with Scheduled Commercial Banks in following areas:

- (A) CRR and SLR prescriptions;
- (B) Prudential Norms for treatment of Non-performing Assets;
- (C) Capital Adequacy norms;
- (D) Income tax on profits;

Scheduled Urban Co-operative Banks are subjected to yearly inspection by RBI, besides being required to submit off-site surveillance reports on a quarterly basis. Since interest rates have been deregulated, the banks in this sector are in competition with Scheduled Commercial Banks.

The Government of India or the State Government have not made any capital or grant available at any time to the Urban Co-operative Banks (UCBs). Scheduled Urban Co-operative Banks continue to operate with following Regulatory constraints vis-à-vis Scheduled Commercial Banks:

- UCBs can not avail of the avenue of Debt Recovery Tribunal (DRT) for recovery of NPAs;
- UCBs can not use the powers of Special Recovery Officers for execution of awards/recovery certificates obtained under State Acts;
- Participation in Liquidity Adjustment Facility (LAF) is not allowed by RBI to UCBs;
- UCBs are not allowed to issue credit cards;
- UCBs are prohibited from investing in equity shares and gold-traded exchange funds;
- There are caps on lending to certain sectors by UCBs which are lower than that of scheduled commercial banks;
- UCBs are not allowed to have Franchisee arrangements such as Business Associates and Correspondents;
- UCBs are not allowed to undertake Government business;
- UCBs are not allowed Intra-day short selling in Government Securities;
- Securitization of assets is not allowed to UCBs;
- Investment in derivatives is not allowed to UCBs;

The financial performance of your Bank has also to be seen in the context of the tight regulatory regime, in which we operate.

4. MAJOR ACHIEVEMENTS DURING F.Y. 2007-08:

Your Board of Directors is pleased to place before you our achievements during F.Y. 2007-08 in pursuance of Dr. Adarkar Mission-II, which has a goal of reaching a total business level of Rs.25,000 crore by 2011.

- (A) Total business of the Bank (i.e. deposits plus advances) increased from Rs. 15295.40 crore as on 31st March 2007 to Rs. 18879.13 crore as on 31st March 2008, resulting in an absolute growth of Rs. 3583.73 crore. In percentage terms this growth was of the order of 23.43%.



- The additional business is inclusive of Rs. 461.51 crore added by virtue of merger of three urban cooperative banks.
- (B) The deposits of your Bank increased from Rs. 8,924.94 crore as of 31st March 2007 to Rs. 11,430.82 crore as of 31st March 2008 showing a rise of Rs.2505.88 crore. In percentage terms the growth was of 28.08% which is above the banking industry average of 26.03 %.
- (C) The advances of your Bank increased from Rs.6370.46 crore in F.Y. 2006-07 to Rs. 7448.31 crore in F.Y. 2007-08, thereby recording a rise of Rs.1077.85 crore, i.e. 16.92%.
- (D) The total number of deposit accounts of your Bank increased from 18,11,635 in 2007 to 21,92,673 in 2008 posting a total increase of 3,81,038 accounts. The number of loan accounts grew from 1,16,687 in 2007 to 1,24,713 in 2008. The three merged banks contributed 2,16,780 deposit accounts and 8,696 loan accounts.
- (E) Net profit after tax of your Bank increased from Rs.155.18 crore as on 31st March 2007 to Rs.202.26 crore as on 31st March 2008 showing an increase of Rs 47.08 crore in a year i.e. 30.34%. In order to see the net profit of your Bank in proper perspective, we provide below a comparative chart giving profits and total business of some Private Banks.

Table No.: 1

(Rs. in crore)

Name of the Bank	Total Business	Net Profit after tax
Dhanalakshmi Bank Ltd.	5772.15	28.46
Catholic Syrian Bank Ltd.	10067.00	36.56
Bank of Rajasthan Ltd.	21000.00	115.20
South Indian Bank Ltd.	25910.00	151.62
ING Vysya Bank Ltd.	35148.00	156.93
Saraswat Co-operative Bank Ltd.	18879.13	202.26

- (F) Owned funds which indicate financial soundness of a bank, increased from Rs 1,024.41 crore in F.Y. 2007 to Rs. 1088.28 crore in F.Y. 2008. (It may be noted that during the current year, your Board of Directors has decided to place the entire accumulated losses of all the merged Banks on the General Reserves as stated in notes to Accounts.)
- (G) Return on average assets, which is a testimony to insightful and efficient deployment of funds increased from 1.67% in F.Y. 2007 to 1.71% as of 31st March 2008 which is considered to be very satisfactory and is well above the industry performance. It may be noted that the return on assets is well above the returns earned by all the leading private and public sector banks as shown below:

Table No.: 2

(In %)

Name of Banks	Your Bank	Yes BK	Corporation Bank	HDFC BK	BOI	PNB	ICICI	SBI	BOB
Return on Assets	1.71	1.42	1.38	1.30	1.22	1.15	1.12	1.01	0.89

- (H) Capital to Risk Asset Ratio (CRAR) which is generally known as capital adequacy ratio has been impacted on account of the absorption of losses of the merged banks by your Bank. CRAR stood at 10.85% as of 31st March 2008, which is well above the 9% prescribed by RBI. Under the Basel-I norms which are currently applicable to scheduled commercial Banks, your Bank's CRAR works out to 10.54% as of 31st March 2008 which is also well above 9% prescribed by RBI.
- (I) Your Bank continued to retain its coveted position as Zero Net NPA Bank for the fourth consecutive year even after the absorption of NPAs of the three merged urban co-operative banks during the year under Report.
- (J) Net profit per employee increased from Rs. 6.89 lakhs to Rs. 7.14 lakhs despite addition of 432 employees of three merged urban co-operative banks to the staff of your Bank during the financial year.