



**Saraswat
Bank**

THE SARASWAT CO-OPERATIVE BANK LTD. (A SCHEDULED BANK)



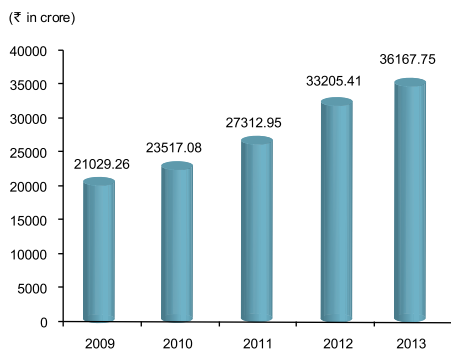
Celebrating Customer Centric Banking



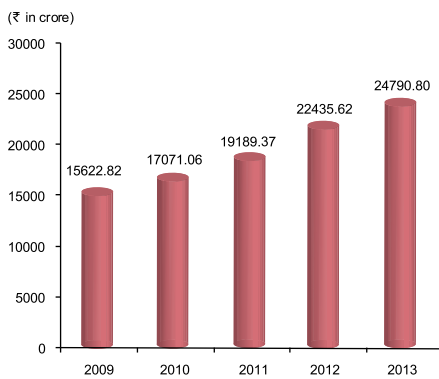
**95th
ANNUAL REPORT
2012-2013**



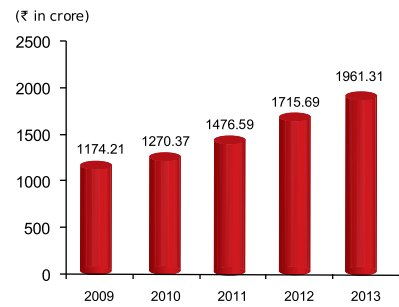
Total Business



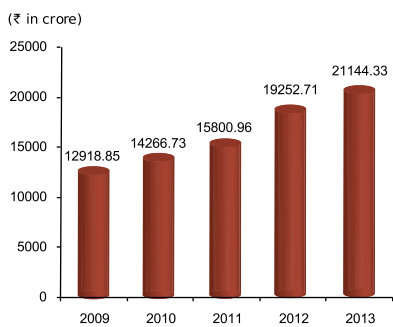
Working Funds



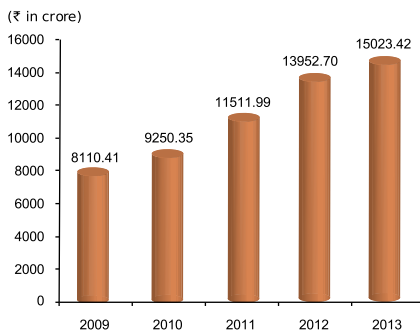
Own Funds



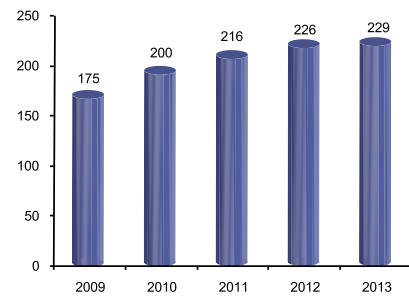
Deposits



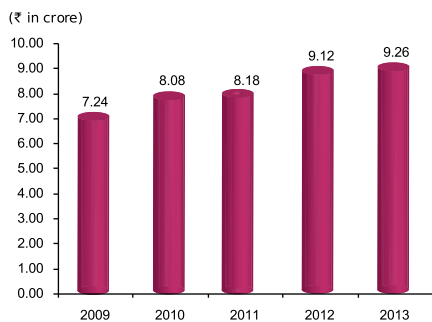
Advances



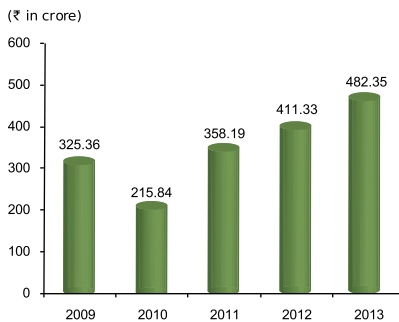
Number of Branches



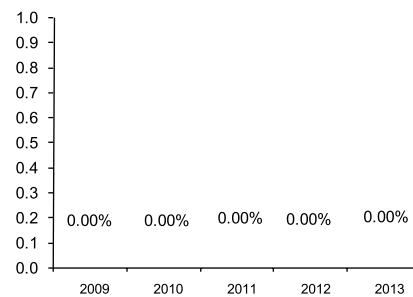
Business per Employee



Gross Profit



Net NPA to Total Advances



THE SARASWAT CO-OPERATIVE BANK LIMITED

(A SCHEDULED BANK)

- **REGISTERED OFFICE & CORPORATE CENTER** : Saraswat Bank Bhavan,
953, Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025.
Website: www.saraswatbank.com
- **DATE OF ESTABLISHMENT** : September 14, 1918.
- **NO. AND DATE OF RBI LICENCE** : ACD-MH-220-P, dated 27-08-1980.
- **AREA OF OPERATION** : ALL INDIA
- **AUDIT CLASSIFICATION** : 'A' (Since 1933, i.e. the year in which
we were registered as a Bank)

ANNUAL REPORT 2012-13

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NOTICE

The Ninety-fifth Annual General Meeting of the Members of The Saraswat Co-operative Bank Ltd., will be held on Monday, 30th September, 2013 at 4.00 p.m. at Pracharya B. N. Vaidya Sabhagruha, 2nd Floor, Raja Shivaji Vidya Sankul, Patkar Guruji Chowk, Hindu Colony, 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 Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account, for the year ended 31st March, 2013.
2. To appropriate net profit and declare dividend as recommended by the Board of Directors for the year ended 31st March, 2013.
3. To appoint Statutory Auditors for the financial year 2013-14 and to authorize the Board of Directors to fix their remuneration. The Board of Directors recommends M/s Kulkarni & Khanolkar, Chartered Accountants, 13/14, Bell Building, Sir P.M. Road, Fort, Mumbai 400 001; for appointment as Statutory Auditors.

4. 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 consists of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2013.
5. To grant Leave of Absence to the members of the Bank other than to those whose names appear in the Attendance Register of this 95th Annual General Meeting.

By Order of the Board of Directors

sd/-

S. K. Banerji

Managing Director

Mumbai, 5th September, 2013

Note:

- The printed Annual Report of the Bank consisting of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2013 is enclosed to this Notice.
- The printed Annual Report consisting of the Report of the Board of Directors, the Report of the Statutory Auditors, the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2013 of Saraswat Infotech Ltd., Bank's wholly-owned subsidiary, is also enclosed to this Notice.
- If there is no quorum for the Meeting at the appointed time, in terms of Bank's Bye-law No. 48, the Meeting shall stand adjourned to 5.00 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 7th October, 2013 to those shareholders whose shares are fully paid as on 31st March, 2013 and whose names are on the record of the Bank as on 6th September, 2013.
- If any member desires to have information in connection with the Accounts, he/she is requested to address a letter to the Managing Director of the Bank, to reach his office at The Saraswat Co-operative Bank Ltd., Saraswat Bank Bhavan, 953, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, not later than 25th September, 2013 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. Change in address, if any, may kindly be intimated by post or by e-mail to the Share Department of the Bank for updating Bank's records. E-mail address of the 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.
4. **Kindly dispatch Form- A on Page No. 125 requesting to send Annual Report electronically to our Share Department.**

Unclaimed Dividend

Notice is hereby given that dividend for the year ended 31st March, 2010 (89th Dividend) if not drawn on or before 30th September, 2013, will be forfeited by the Bank and credited to Reserve Fund in terms of Bye-law No. 68A.

BOARD OF DIRECTORS

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

Shri S.S. Sanzgiri, B.A.
Vice-Chairman

DIRECTORS

Shri M. K. Mantri, M.A.

Shri S. N. Sawaikar, M.Com., DMA, C.A.I.I.B.

Shri P.N. Joshi, M.A.

Shri K. V. Rangnekar, M.A.

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

Shri S. V. Saudagar, B.Com., F.C.A., D.I.S.A.

Shri S. S. Shirodkar, Dip. (Indl. Electronics), P.G.D.M.

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

Shri S.S. Dawra, M.A., M.B.A., I.A.S. (Retired)

Shri A.G. Joshi, M.Sc., D.B.M., C.A.I.I.B.

Shri Jagdish Pai K. L., B.Com.

Shri H. M. Rathi, B.Com.

Dr. (Mrs.) Anuradha P. Samant, M.B.B.S.

Shri S. B. Samant, B.Com., L.L.M., F.C.A.

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

STATUTORY AUDITORS

M/s Kulkarni & Khanolkar, Chartered Accountants

LEGAL ADVISORS

M/s Little and Company

Govind Desai Associates

Shri Shekhar Naphade, B.A., LL.B

Shri A. V. Sabnis, LL.B.

Shri K. M. Naik, B.A., LL.B.

Shri S. N. Inamdar, B.Com., LL.B.

BANKERS

State Bank of India,

Bank of India,

HDFC Bank Ltd.,

Wells Fargo Bank N.A.,

Standard Chartered Bank Ltd.,

ICICI Bank Ltd.

— WHOLLY-OWNED SUBSIDIARY —

SARASWAT INFOTECH LIMITED

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

Shri S. K. Sakhalkar, M.Com., PGD (I.R.), PGD (Comp. Sc.)
Managing Director & Chief Executive Officer

Shri D. M. Chandgadkar, M.Com., LL.B., C.A.I.I.B., A.C.S.
Chief Domain Officer

PERFORMANCE HIGHLIGHTS

(₹ in crore)

Particulars	FOR THE YEAR ENDED		
	31-03-2013	31-03-2012	% change
Total Income	2,551.14	2,124.35	20.09
Total Expenditure	2,068.79	1,713.02	20.77
Gross Profit	482.35	411.33	17.27
Less: Provisions	329.44	71.83	358.64
Profit Before Tax and Exceptional Items	152.91	339.50	-54.96
Less: Income Tax	31.18	89.73	-65.25
Profit after Tax and before Exceptional Items	121.73	249.77	-51.26
Less: Exceptional Items	9.64	14.20	-32.11
Net Profit after Tax and Exceptional Items	112.09	235.57	-52.42
	AT THE YEAR END		
Own Funds	1,961.31	1,715.69	14.32
Share Capital	126.91	116.92	8.54
Reserves and Surplus	1,834.40	1,598.77	14.74
Deposits	21,144.33	19,252.71	9.83
Current	965.83	1,059.58	-8.85
Savings	4,416.18	4,021.80	9.81
Term	15,762.32	14,171.33	11.23
Advances	15,023.42	13,952.70	7.67
Secured	14,971.29	13,884.87	7.82
Unsecured	52.13	67.83	-23.15
Total Business	36,167.75	33,205.41	8.92
Priority Sector	6,465.78	6,211.44	4.09
% to Advances	43.04	44.52	-
Small Scale Industries	2,241.60	2,992.57	-25.09
Small Businessmen and Traders	2,131.73	730.00	192.02
Other Priority Sectors	2,092.45	2,488.87	-15.93
Working Capital	24,790.80	22,435.62	10.50
Investments	6,444.03	5,626.99	14.52
Borrowings and Refinance	406.90	414.05	-1.73
Net NPAs (%)	0.00	0.00	0.00
Capital Adequacy (%)	11.15	12.37	
Number of Members			
Regular *	1,72,282	1,68,529	
Nominal	5,78,363	5,54,947	
Number of Branches	229	226	
Number of Employees	3,906	3,641	
Productivity per Employee	9.26	9.12	
Profit per Employee (₹ in lac)	2.87	6.47	
Return on Average Assets (%)	0.46	1.12	
Net Interest Margin (%)	3.30	3.47	

* Shareholders holding fifty shares and above

THE SARASWAT CO-OPERATIVE BANK LIMITED

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have great pleasure to present to you the Ninety-fifth Annual Report on the business and the operations of your Bank together with the Audited Accounts for the financial year ended 31st March, 2013.

1. THE GLOBAL ECONOMY AND INDIA :

The global economy has not yet emerged significantly from the shadows of the 2008-09 crisis. Amongst the advanced economies, the U.S. GDP registered a growth rate of 2.4 per cent. The latest data viz. Non-Farm Payroll (NFP), unemployment data, retail sales, etc. point to a gradual recovery in the U.S., spurred by unconventional policy measures such as Quantitative Easing (QE) by the Federal Reserve. Against the backdrop of this gradual recovery, we expect FED to maintain its accommodative monetary stance, in the near term. The Euro zone as a whole, has sunk into recession with latest GDP numbers at (-) 0.4 per cent. Its debt problems are growing as recession has made it harder to reduce debt burdens. European Banks also have thinner equity buffers than many American Banks. The drags on the European economy are in the form of high debt, high unemployment, continued uncertainty and too much austerity. The Cyprus crisis has once again illustrated that the European financial system is rather fragile and the recovery ahead may be slow, with significant downward risks. Japan has been struggling with a state of low growth and low inflation. Abenomics has improved Japan's prospects but Government debt is still close to 250 per cent of GDP, which could be a nightmare for any other country. In a historic move recently, the Bank of Japan has decided to push for an extremely aggressive monetary policy, through a bond buying programme of JPY 1.2 trillion. Japan thus seems determined to meet the 2 per cent inflation target that it has set for itself in its current state of deflation, through weakening of its

currency. Growth in the Emerging and Developing Economies (EDEs) is also lower, impacted by the global slowdown. Recent reports from China show the Q1 GDP growth in FY 2013-14 at 7.7 per cent, lower than expectations evidencing that economic recovery has not gained adequate momentum.

To sum up, we are seeing early signs of recovery in the U.S. and Japan. Emerging economies are yet struggling to emerge from the sluggish trend that has been seen in the recent past and also to attain the earlier high growth numbers. In most emerging economies, Current Account Deficits (CAD) are growing and the anticipation of FED tapering off its QE gradually in latter half of FY 2013-14 has made the emerging economies wobble, atleast for now.

The Indian Economy in FY 2012-13 :

The GDP growth for FY 2012-13 was at 5 per cent y-o-y, in line with CSO's advance estimates. However, the numbers were much lower than the 7.6 per cent earlier budgeted by the Central Government. During FY 2012-13, Agriculture contributed 1.9 per cent, Industry contributed 1.2 per cent and Services contributed 6.8 per cent to India's GDP. The GDP continues thus to be largely driven by the Services sector. Deceleration was due to a negligible growth in agriculture and a near standstill in industrial growth. While manufacturing and construction sectors continued to display weaknesses, the outlook for services sector improved as a result of upward revision in its trade and financing segments. The slowdown is against a backdrop of weak external demand, rising global uncertainty, elevated interest rates, high inflation and declining business confidence. Despite the economic slowdown, the gross fiscal deficit for FY 2012-13 was contained at 4.9 per cent of GDP. The Government has taken several steps to curtail deficit and put Government finances in a more orderly manner. These steps include deregulation of diesel prices, capping of subsidized LPG cylinders, divestment of PSUs, emphasis on direct cash transfers, etc.

The Current Account Deficit (CAD) has however shot up significantly higher. With the exports contracting in the first three quarters of FY 2012-13, trade gap between imports and exports has been one of the major reasons behind the worrying CAD levels. On the other hand, imports have registered a growth of 10.96 per cent y-o-y, thus leading to widening of the trade deficit.

Import of gold in particular on a large scale has further worsened the CAD. We are of the view that though expenditure on account of purchase and import of gold constitutes a very large and unsustainable drawal on India's foreign exchange reserves, Government measures may not succeed much in alleviating the infatuation of gold among Indian households. Amongst its imaginative uses, gold, a malleable metal, functions as (a) a medium of barter and exchange (b) a form of savings (c) an adornment (d) a cultural signage (e) a means to display wealth (f) an industrial metal (g) an insurance policy (h) a presentation chip and (i) a domestic and international reserve and treasure – all these make its attraction perennially irresistible and its demand insatiable. Much success, therefore, cannot be expected from Government's efforts to reduce the import of gold by Indian households.

On the inflation front, the WPI remained persistently above seven per cent for most part of the year. With stagflation i.e. sticky inflation and growth slowing markedly, RBI calibrated its Monetary Policy stance in line with macroeconomic conditions. After an initial cut of 50 bps in the Repo Rate during April 2012, RBI constrained its monetary easing and directed its measures towards ensuring adequate liquidity through CRR cuts (25 bps on three occasions) and SLR cut for Scheduled Commercial Banks by 100 bps from 24 per cent to 23 per cent. Further repo rate cuts were effected during the fourth quarter of FY 2012-13, as inflation numbers started coming down. WPI inflation stood at 7.3 per cent during FY 2012-13.

Indian stock market witnessed sharp rise on the back of more than adequate global liquidity which found its way in emerging markets including India. Bombay Stock Exchange Sensex rose from 17,404.20 as on

31st March, 2012 to reach at 18,835.77 as on 31st March, 2013 experiencing many highs on its way. With Government of India taking determined steps to address fiscal deficit, the 10-year benchmark yield dipped lower from 8.63 per cent as on 31st March, 2012 to 7.99 per cent as on 31st March, 2013. Indian Rupee witnessed depreciation against the U.S. Dollar, particularly in the last quarter of FY 2012-13, as CAD figures started worsening. Indian Rupee which stood at 50.87 as on 31st March, 2012, depreciated by 6.72 per cent to stand at 54.29 to a U.S. Dollar as on 31st March, 2013.

Overall Assessment :

The Indian economy in FY 2013-14 is expected to be led by consumption growth. The consumption growth will recover fully with Policy support required to fortify business segment, going forward. The April 2013 inflation print (WPI) came out at a 42 month low of 4.7 per cent y-o-y with core inflation at 2.4 per cent y-o-y. This coupled with good monsoons in the initial phase of the cycle clearly indicates that the growth cycle in the country has nearly bottomed out and economy seems poised for a modest recovery although at the outset this is likely to be driven more by consumption rather than by investment. The only rider will be Government's inability to contain Current Account Deficit (CAD) as also the pressure on the Treasury emanating from the populist measures which are being adopted by Government ahead of general elections.

The World Bank has forecasted that India's growth outlook for the current fiscal will be at 5.7 per cent. The risk factors against this slow but assured recovery will be depreciating local currency and drying up of global liquidity against the backdrop of reports from Federal Reserve tapering of bond buying programme in the second half of FY 2013-14.

State of the Indian Economy since past few years :

For the past two decades, India witnessed one of the world's fastest-growing economies. Even when the global recession and complacent policymaking had slowed progress, India's GDP growth had remained at a healthy clip of 7 per cent and above.

However, during the past six years the GDP growth is decelerating and has declined from 9.5 per cent in FY 2005-06 to 5 per cent in FY 2012-13. Incidentally, this is the lowest GDP growth since FY 2002-03, when the economy had grown by a mere 4 per cent.

While in other emerging economies like China, Brazil and South Africa the manufacturing sector has grown much faster than the GDP, in India the share of the manufacturing sector in GDP has stagnated. This is evident from the growth in Index of Industrial Production which has slumped from 8.2 per cent in FY 2005-06 to 1 per cent in FY 2012-13. India's economy continues, as aforesaid, to be mainly driven by the contribution of services sector to the economy.

Non-addressal of subsidy issue in a timely manner, Government's populist expenditure programmes, the Sixth Pay Commission burden – all these have pushed up the fiscal deficit as percentage of GDP from 4 per cent in FY 2005-06 to 4.9 per cent in FY 2012-13. The fiscal deficit number in FY 2012-13 of 4.9 per cent too could be achieved only with sustained, determined and painstaking efforts put in personally by our present Union Finance Minister, Shri P. Chidambaram, who thereby could live upto his promise and stature.

The country's Current Account Deficit (CAD) has remained above the comfort level of 2.5 per cent over the past few years. The CAD has widened due to sluggish exports, front-loading of gold demand and seasonal rise in imports. The CAD which was at 1.2 per cent of GDP in FY 2005-06 has reached a discomfoting level of 4.9 per cent of GDP in FY 2012-13, driving the Rupee in a virtual bottomless pit.

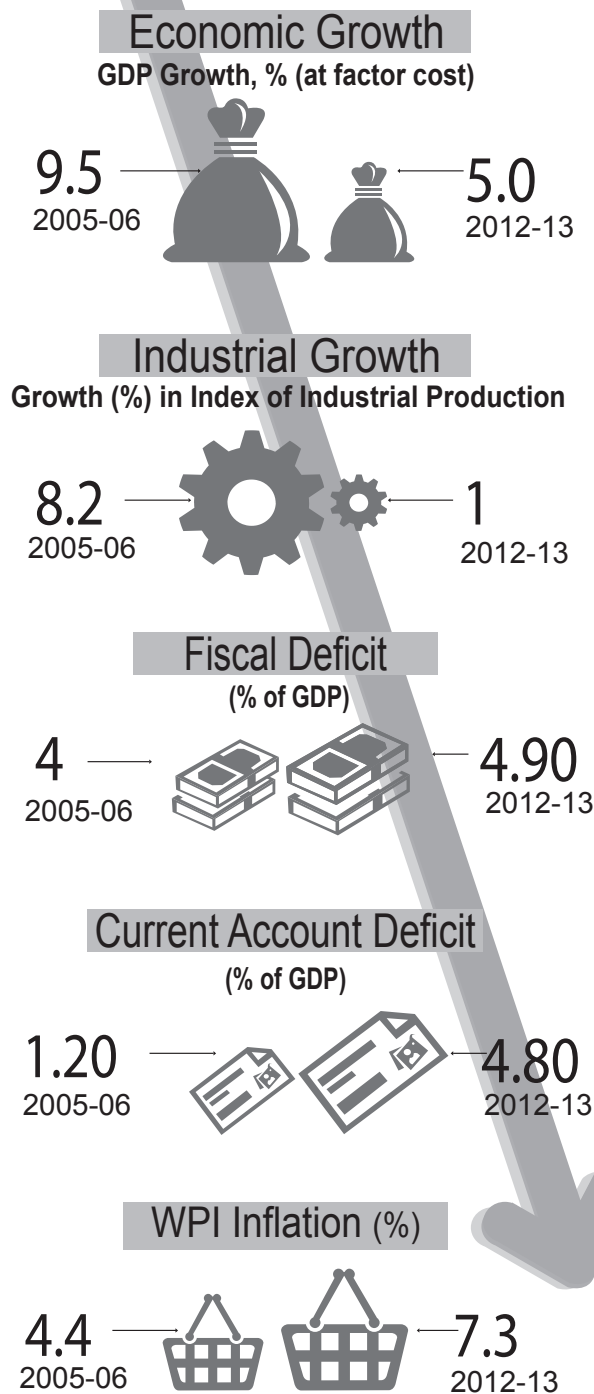
Wholesale Price Inflation index spurted to 7.3 per cent in FY 2012-13 against 4.4 per cent in FY 2005-06. The inflation print has witnessed an upturn on account of spike in factors such as farm-sector wages, food, fuel, supply side constraints and the depreciating rupee.

The accompanying graph depicts the major macro-economic indicators of India over FY 2005-06 to

FY 2012-13 which clearly indicate a slowing Indian economy passing through a financial crisis.

Graph-I

Squandered Gains...



SOURCE : GOVT DATA

This graph captures and depicts lucidly the downturn in the Indian economy in recent years. All said, firstly this state of affairs of our economy leaves one with an impression that macroeconomists of the world have still not been able to fathom and unravel fully the inter-relationship between fiscal policy, central banks, financial markets and the real economy and that it still continues to be very poorly understood.

Secondly, it has now come into sharp focus that the basic problem of emerging economies such as India is that their financial markets are not deep enough or diversified enough to absorb global shocks of trillions of dollars of hot money moving in all directions.

Thirdly, the occasional claims of “de-coupling” of any economy from globalized finance constitutes only an act of self-delusion.

Impact of slowing economy on Banking Industry :

The drastic economic slowdown during 2012-13 had an adverse impact on performance of Indian Banks. This is clearly witnessed from unprecedented rise in the Non Performing Assets (NPAs) of Banks. The Gross NPAs of Indian Banks have reached ₹ 2.06 trillion while restructured loans grossed ₹ 2.27 trillion as on 31st March, 2013. According to an RBI study, Gross Non Performing Assets of Indian Banks have more than trebled in the six years i.e. upto March 2013. Net NPAs have grown even faster to reach ₹ 888 billion by March 2013. The study estimates that the loss to Indian Banks resulting from NPAs has been more than 60 per cent of their net profit since March 2010.

Also, while the NPAs are rising at a faster clip, their recovery has been very slow. The recovery of the NPAs through the suit filed cases over the years has been showing a markedly declining trend which is evident from the data tabled by Ministry of Finance in the Rajya Sabha recently.

Table No. 1 :

(₹ in crore)

Period	Suit Filed Amount	Recovered Amount	Recovery %
2009-10	47,576	2,403	5.1
2010-11	52,672	2,342	4.4
2011-12	79,117	1,700	2.1
2012-13	97,701	1,905	2.0

(Source: Rajya Sabha)

The above information tabled by the Government of India in Rajya Sabha tells it all - that in recent years, in this sticky economy the capacity of banks to recover their dues has decelerated both precipitously and dramatically.

It has also been observed that Public Sector Banks (PSBs) are writing off more loans than they recover and thereby they show lower gross NPAs. During the year, the position of actual recovery by public sector banks as against their loan write-offs is dismal as can be seen from the following data in public domain relating to some of the major banks in India :

Table No. 2 :

(₹ in crore)

Bank Name	Recovery	Write-off
Bank of India	2,006.00	2,413.00
Indian Overseas Bank	1,270.00	1,642.25
Oriental Bank of Commerce	1,192.00	1,416.26
Syndicate Bank	1,030.00	1,297.30
Bank of Baroda	625.57	2,359.47
Corporation Bank	313.00	708.67
Bank of Maharashtra	303.92	663.12

In a nutshell, during FY 2012-13 due to economic slow-down, entire banking industry in India faced grave and daunting challenges of abnormally rising stressed assets and thinner recoveries, your Bank being no exception.

2. MAJOR DEVELOPMENTS IN THE BANKING AND FINANCIAL SECTOR IN INDIA :

During the recent past, the Reserve Bank of India, which regulates the Indian banking industry, has formulated several policies and initiatives that would have wholesome impact on the country's banking sector. Some such key steps which top the priority list of RBI are :

- **Implementation of the Basel III norms :** RBI has issued guidelines on implementation of Basel III norms for commercial banks, which will require massive capital infusion in these banks over the next few years. Under the new standards, scheduled commercial banks will have to maintain capital adequacy of at least 9