Annual Report 2016-17

99

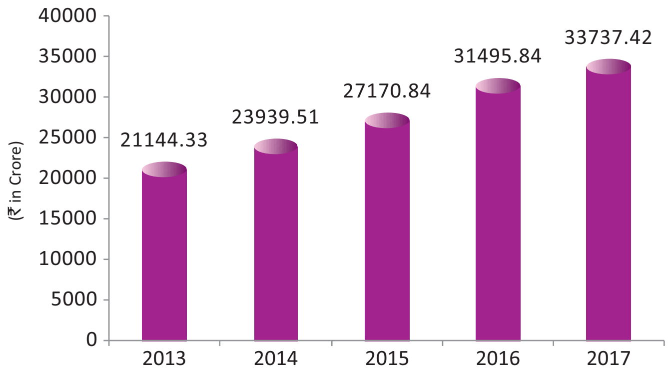
On the way to a glorious Century...
of blending Tradition with Technology.

Saraswat Bank

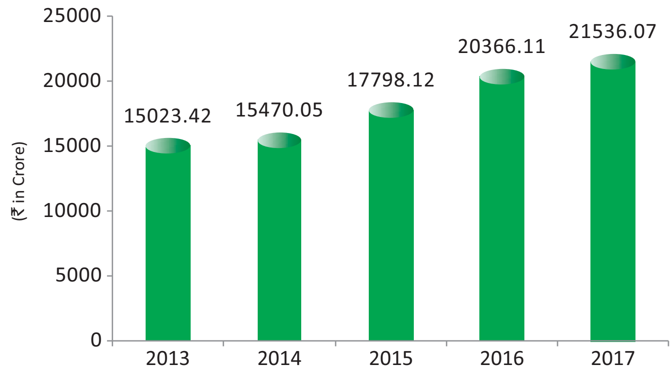
Mile Yahan, Dono Jahan

Saraswat Co-operative Bank Ltd.
(Scheduled Bank)

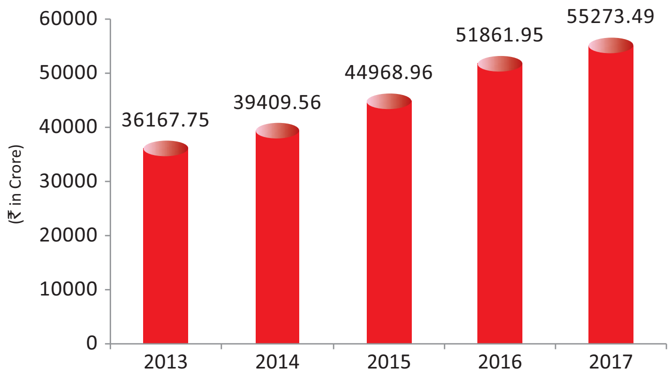
Deposits



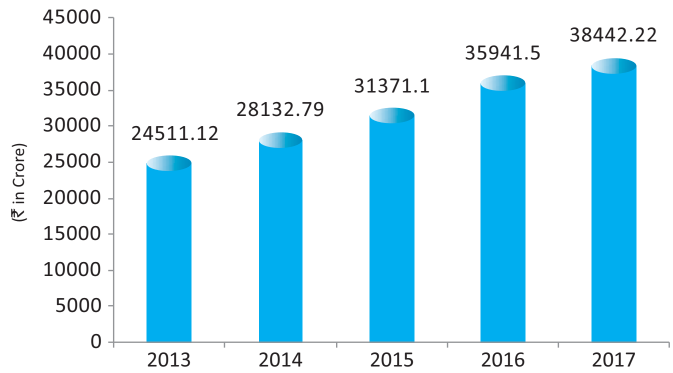
Advances



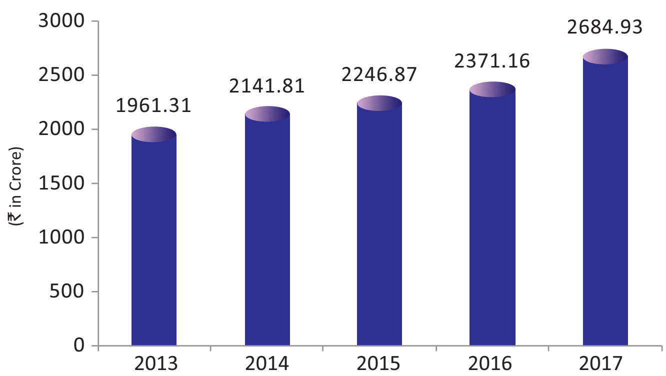
Total Business



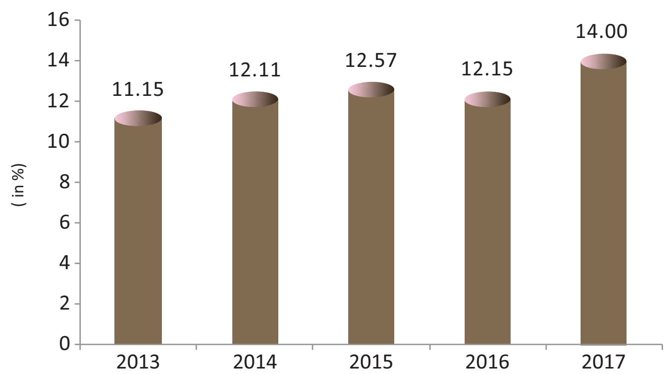
Working Funds



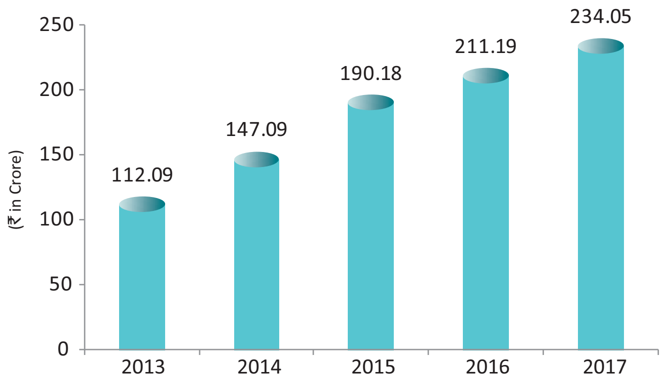
Own Funds



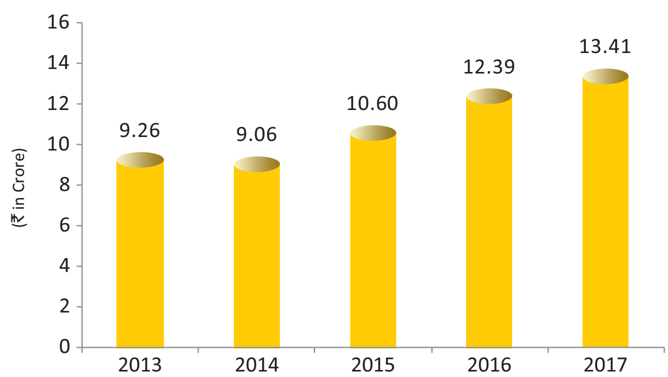
CRAR



Net Profit



Business per Employee



Saraswat Bank

SARASWAT CO-OPERATIVE BANK LIMITED

(SCHEDULED BANK)

- **REGISTERED OFFICE & CORPORATE CENTER** : Ekanath Thakur Bhavan, 953, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.
  Phone No. : (022) 6600 5555
  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 2016-17

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NOTICE OF ANNUAL GENERAL MEETING

The Ninety-Ninth Annual General Meeting of the Members of Saraswat Co-operative Bank Ltd. will be held on Friday, 18th August, 2017 at 4.00 p.m. at Ravindra Natya Mandir, Near Siddhivinayak Temple, Sayani Road, Prabhadevi, Mumbai – 400 025 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, 2017.
2. To appropriate net profit, declare Dividend and Additional Special Centenary Dividend on Equity Shares and Dividend on Preference Shares as recommended by the Board of Directors for the year ended 31st March, 2017.
3. To appoint Statutory Auditors for the financial year 2017-18 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 grant Leave of Absence to the members of the Bank other than to those whose names appear in the Attendance Register of this 99th Annual General Meeting.

By Order of the Board of Directors
Sd/-
Smita Sandhane
Managing Director

Mumbai,7th July, 2017

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, 2017 is enclosed with this Notice.
- If there is no quorum for the Meeting at the appointed time, in terms of 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 15th September, 2017, to those shareholders whose shares are fully paid as on 31st March, 2017 and whose names are on the record of the Bank as on 7th July, 2017.
- 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 her office at Saraswat Co-operative Bank Ltd., Ekanath Thakur Bhavan, Plot No. 953, Appasaheb Marathe Marg, Prabhadevi, Mumbai – 400 025, not later than 14th August, 2017, 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 to the Share Department at Madhushree, 5th Floor, Plot No. 85, District Business Centre, Sector 17, Vashi, Navi Mumbai - 400 703 Phone No. : (022) 2789 2947 or by e-mail to incharge_share@saraswatbank.com for updating the 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 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 31st March, 2014 (93rd Dividend) if not drawn on or before 18th September, 2017, will be forfeited by the Bank and credited to Reserve Fund in terms of Bye-law No. 68A.

BOARD OF DIRECTORS

Shri G.E. Thakur, *B.E. (Civil), DFM*
Chairman

Shri S.K. Sakhalkar, *M.Com., PGD (IR), PGD (Comp. Sc.)*
Vice-Chairman

DIRECTORS

Padmashri M. M. Karnik
Shri P.N. Joshi, *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 A.G. Ambeskar, *B.A.,C.A.I.I.B.*
Shri S.S. Bhandare, *M.A. (Economics), LL.B., D.B.M.*
Shri S.N. Sawaikar, *M.Com., D.M.A., C.A.I.I.B.*
Shri K.V. Rangnekar, *M.A.*
Shri H.M. Rathi, *B.Com.*
Dr. (Mrs.) A. P. Samant, *M.B.B.S.*
Shri N.G. Pai, *B.E. (Electrical)*
Shri S.M. Lotlikar, *B.Sc. (Chemistry)*
Shri K.D. Umrootkar, *B.Com. (Hons.), LL.B., F.I.I.B.F., M.C.I.P.D. (UK).*

Mrs. Smita Sandhane, *B.Com., C.A.I.I.B., F.I.I.B.F.*
Managing Director (w.e.f. 1st April, 2017)

Shri S.K. Banerji, *B.Sc. (Hons.), D.B.M., LL.M., F.I.I.B.F.*
Advisor to the Board *(w.e.f. 1st April, 2017)*
(Managing Director - *upto 31st March, 2017*)

STATUTORY AUDITORS

M/s. Kulkarni & Khanolkar, *Chartered Accountants*

LEGAL ADVISORS

Shri A. V. Sabnis, *LL.B.*
Shri K. M. Naik, *B.A., LL.B.*
M/s. Little and Company
Shri S. N. Inamdar, *B.Com., LL.B.*
Shri Shekhar Naphade, *B.A., LL.B.*

BANKERS

State Bank of India
Bank of India
HDFC Bank Ltd.
Canara Bank
Wells Fargo Bank N.A.
Standard Chartered Bank Ltd.
ICICI Bank Ltd.

PERFORMANCE HIGHLIGHTS

(₹ in crore)

Particulars	FOR THE YEAR ENDED		
	31-03-17	**31-03-16**	**% change**
Total Income	3,498.32	3,254.71	7.48
Total Expenditure	2,920.82	2,887.30	1.16
Gross Profit	577.50	367.41	57.18
Less: Provisions	254.62	105.63	141.05
Profit Before Tax	322.88	261.78	23.34
Less: Income Tax	88.83	50.59	75.59
Profit after Tax carried to Balance Sheet	234.05	211.19	10.82
	AT THE YEAR END		
Own Funds	**2,684.93**	**2,371.16**	**13.23**
Share Capital	215.23	202.76	6.15
Reserves and Surplus	2,469.70	2,168.40	13.90
Deposits	**33,737.42**	**31,495.84**	**7.12**
Current	1,753.57	1,385.69	26.55
Savings	7,695.55	6,025.17	27.72
Term	24,288.30	24,084.98	0.84
Advances	**21,536.07**	**20,366.11**	**5.74**
Secured	21,402.63	20,245.02	5.72
Unsecured	133.44	121.09	10.20
Total Business	**55,273.49**	**51,861.95**	**6.58**
Priority Sector	5,079.22	5,823.40	-12.78
% to Adjusted Net Bank Credit (ANBC)	24.94	32.72	-
Small Scale Industries	362.54	453.84	-20.12
Small Businessmen and Traders	2,303.10	2,946.26	-21.83
Other Priority Sectors	2,413.58	2,423.30	-0.40
Working Capital	**38,442.22**	**35,941.50**	6.96
Investments	**8,872.79**	**9,388.48**	-5.49
Borrowings and Refinance	**792.95**	**745.90**	6.31
Net NPAs (%)	**1.82**	**1.83**	
Capital Adequacy (%)	**14.00**	**12.15**	
Number of Members			
Regular (Shareholders holding 50 shares & above)	1,88,249	1,82,008	
Nominal	53,100	64,255	
Number of Branches	**282**	**283**	
Number of Employees	**4,122**	**4,186**	
Productivity per Employee	**13.41**	**12.39**	
Profit per Employee (₹ in lac)	**5.68**	**5.05**	
Return on Average Assets (%)	**0.62**	**0.62**	
Net Interest Margin (%)	**2.29**	**2.30**	

SARASWAT CO-OPERATIVE BANK LIMITED

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have great pleasure to present the Ninety-ninth Annual Report on the business and operations of your Bank together with the Audited Accounts for the financial year ended 31st March, 2017.

1. THE GLOBAL ECONOMY AND INDIA

Global economic growth remained subdued during the initial part of 2016, while picking up pace towards the end of the year. Overall, the global economy grew 2.6 per cent in calendar year 2016. Two major political events, Brexit i.e. the vote of UK in favour of leaving the European Union and the outcome of the US Presidential elections threw surprises for financial markets.

The US economy grew at a slower pace of 1.6 per cent for calendar year 2016. However since then, US economic data has emerged strong and improvement is witnessed on the employment, manufacturing and retail sales fronts. The Federal Reserve increased its benchmark interest rates on three occasions since December 2016, amid rising confidence that the economy is poised for more robust growth. The overnight funds rate has moved to a target range of 1 per cent to 1.25 per cent and has set the tone for a likely path of regular rate hikes, in the wake of higher inflationary expectations, going forward.

The Euro area Gross Domestic Product (GDP) grew by 1.7 per cent during 2016, on the back of a strong labour market, high economic sentiment and easy Monetary Policy aiding the domestic economy. The Eurozone's economy picked up steam especially in the second half of 2016, demonstrating remarkable resilience to geopolitical uncertainties during the year and defying expectations of a slower recovery post the Brexit shock.

The Japanese economy managed to expand by 1 per cent during 2016 as weaker yen and strong global demand propelled export growth. Among BRICS countries, China recorded growth at 6.7 per cent.

Overall, broader outlook indicates that the slowdown during 2016 could be bottoming out and the world economy is expected to improve during calendar year 2017 - albeit at a slower pace.

Indian Economy in FY 2016-17:

India has emerged as the fastest growing major economy in the world as per the Central Statistical Organisation (CSO), with a growth of 7.1 per cent for the fiscal 2016-17 vis-à-vis 7.6 per cent for the preceding year. The lower growth was largely due to sharp moderation in manufacturing sector growth at 7.9 per cent. Services sector growth also faced marginal moderation at 7.7 per cent. Currency withdrawal (demonetization) seems to be a major factor behind the moderation, particularly due to sudden squeezing of cash-dominated Micro, Small and Medium Enterprises (MSMEs) business. However, agriculture sector with 4.9 per cent growth, on the back of a good monsoon, played a balancing role and helped to maintain the growth at 7.1 per cent.

- **Inflation:** Inflation during FY 2016-17, was characterized by two features viz. a downward trend in Consumer Price Index (CPI) since July 2016 as a bountiful monsoon led to good agricultural produce and decline in food prices. CPI moderated continuously to a low of 3.17 per cent by January 2017 and firmed up to 3.89 per cent by March 2017. The other distinctive feature was in the form of reversal of Wholesale Price Index (WPI) inflation from negative territory to 5.51 per cent by March 2017. However, inflation rates have since softened with CPI and WPI at 2.18 per cent and 2.17 per cent respectively by May 2017 and are perceived to be in conformity with RBI's comfort zone.

- **Fiscal Situation:** The Government maintained its fiscal deficit target of 3.5 per cent for FY 2016-17, exhibiting consistent improvement in the fiscal situation over the past 3 years. The numbers have acquired more weight and credibility in the light of Government's commitment to fiscal consolidation in recent years. Tax buoyancy in general and widening of the tax net on undisclosed cash following the demonetization strategy in particular, have largely contributed to improved fiscal performance of the Central Government.
- **Current Account Deficit:** The Current Account Deficit to GDP ratio remained muted during FY 2016-17, at less than 1 per cent of GDP. The external sector position has remained comfortable despite moderation in exports as the downward spiral in international crude oil prices resulted in a lower oil import bill. There was also a sharp decline in gold imports, which led to overall reduction in the imports. Overall, the sharp contraction in trade deficit outweighed the decline in net invisible earnings.
- **Monetary Policy Stance:** The benchmark repo rate was reduced by 50 bps by the Reserve Bank of India (RBI) during FY 2016-17 i.e. 25 bps during April 2016 and 25 bps during October 2016, mirroring the inflationary trajectory. However, with an uptick in inflationary figures in February 2017, policymakers unexpectedly changed the stance from ‘accommodative’ to ‘neutral’.

Financial Markets:

- **Equity:** Indian stocks rose to new highs during fiscal 2016-17, despite moderation in economic growth and certain negative global factors viz. Brexit, US Federal Reserve’s decision to hike interest rates, etc. This rally was prompted by a strong surge in foreign currency inflows from Foreign Portfolio Investors (FPIs) against the backdrop of push for economic reforms initiated by the stable Government at the Centre. The BSE Sensex closed for the year ended 31st March, 2017 at 29,620 while Nifty closed at 9,173.
- **Debt:** Huge liquidity, tepid credit growth and strong macro-economic indicators like low inflation, controlled Current Account Deficit (CAD), two rate cuts of 25 bps each combined with demonetization, led to yields dropping down by nearly 100 bps to 6.11 per cent by February 2017. However, change in RBI stance from ‘accommodative’ to ‘neutral’ pushed the yields to 6.69 per cent by 31st March, 2017.
- **Forex:** The Indian Rupee largely remained range bound during the first half of the year. However, during November 2016, the Rupee weakened considerably touching 68.85 levels, on the back of redemption of Foreign Currency Non-Resident (FCNR) deposits and a surprising US Presidential election outcome. But the return of FPIs, abundant liquidity and stable oil prices resulted in the Indian Rupee gradually appreciating and finally closing at ₹ 64.85 to a US Dollar, as on 31st March, 2017.

Overall Assessment:

The Reserve Bank of India has projected a GDP growth rate of 7.3 per cent for fiscal year 2017-18. A pick-up in discretionary consumer spending, especially in cash intensive segment of the economy, reduction in bank lending rates post demonetization and robust Government spending are expected to aid in achieving this GDP target.

On the inflation front, RBI has revised their CPI forecast downward in the range of 2.0 to 3.5 per cent during the first half of FY 2017-18 and in the range of 3.5 to 4.5 per cent during the second half of FY 2017-18. Expectations of a normal monsoon and lower crude oil prices for a sustained period of time will anchor the inflation below 4 per cent for the whole of FY 2017-18. This may entail RBI changing its stance from neutral to accommodative, going forward. On balance, overall outlook for the Indian economy remains positive.

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

The banking and financial sector has undergone several changes during FY 2016-17, prominent among which are highlighted below:

- **Goods & Services Tax (GST):** The Goods and Services Tax is a unified single tax replacing the various indirect taxes such as excise duty, service tax, sales tax, Value-added Tax, etc. GST has now been implemented, paving the way for a single levy, replacing the multiple Central & State taxes and making the country a seamless national market.

- **Demonetization:** On 8th November, 2016, the Government in an unprecedented surprise move banned higher denomination i.e. ₹ 500/- and ₹ 1,000/- currency notes, comprising 86 per cent of the total notes in circulation. An immediate consequence was a sharp surge of deposits with banks and consequently significant increase of liquidity in the banking system.

  The Government of India and the Reserve Bank of India took several steps, as indicated below, to facilitate liquidity management.

  - Temporary imposition of incremental Cash Reserve Ratio (CRR) of 100 per cent on incremental deposits.
  - Issuance of Cash Management Bills (CMBs) of various tenors under the enhanced Market Stabilization Scheme (MSS) limit.
  - Conduct of Liquidity Adjustment Facility (LAF) Reverse Repo auctions of tenors ranging from overnight to 91 days.
  - Expansion of basket of securities that can be accepted as collateral under money market operations.
  - Caps on weekly withdrawal limits from banks as well as from ATMs.
  - Restrictions on withdrawals from Jan Dhan accounts.
  - Reduction in fees/charges on digital transactions.
  - Waiver of service charges by banks for ATM transactions in the period post demonetization.
  - Schemes for declaration of unreported wealth and payment of taxes at a penalty rate.

- **Insolvency & Bankruptcy Code:** The Insolvency and Bankruptcy Code (IBC) was passed by the Lok Sabha on 5th May, 2016. The Code outlines separate insolvency resolution processes for individuals, companies and partnership firms. The Code established the Insolvency and Bankruptcy Board of India to oversee the insolvency proceedings in the country and regulate the entities registered under it. Going forward, the IBC is expected to play a major role in addressing the woes pertaining to Non-Performing Assets (NPAs) of the banks.

- **Prompt Corrective Action (PCA) framework:** RBI revised the PCA framework for banks effective from 1st April, 2017. PCA norms allow the regulator to place certain restrictions on banks such as halting branch expansion, stopping dividend payment, conducting special audit, restricting operations, etc. PCA can be invoked when certain risk thresholds like asset quality, profitability, capital, etc. are breached.

- **Launch of Bharat Interface for Money (BHIM) Application:** The launch of BHIM application for smart phones, based on the new Unified Payments Interface (UPI) was undertaken by the Government of India to ensure interoperability.

- **Measures by RBI for development of fixed income and currency markets:** RBI announced a package of measures for the development of fixed income and currency markets. The measures were to enhance the aggregate limit of Partial Credit Enhancement (PCE) provided by banks, permit brokers in corporate bond repos, authorize the platform for repo in corporate bonds and encourage credit supply for large borrowers through market mechanism.

- **Foreign Direct Investment (FDI) Reforms:** The Union Government radically liberalized the FDI regime with the objective of providing major impetus to employment and job creation in the country. In sweeping reforms to FDI norms, the Centre opened up a host of important sectors such as defence, civil aviation, single brand retail and pharma for higher Foreign Direct Investment.

- **New entrants on the banking scenario:** The Reserve Bank of India gave a fresh nudge to the financial inclusion drive by permitting operations for Small and Payments Bank, while also permitting them to open accounts using digital signatures and electronic verification.

  Capital Small Finance Bank Limited and Equitas Small Finance Bank Limited commenced their operations as a Small Finance Bank (SFB) from April 2016 and September 2016 respectively. Bharati Airtel became the first to roll out services as a Payment Bank across the country. This was followed by the India Post Payments Bank starting operations as Payment Bank. Paytm has also received licence from RBI to start commercial banking operations. These banks are set up as differentiated banks and will confine their activities to acceptance of demand deposits, remittance services, Internet banking and other specified banking services.

- **Mega-merger:** The State Bank of India (SBI) carried out a mega-merger, by taking over five of its associate banks and the Bharatiya Mahila Bank, thus placing SBI in the ranks of the world's 50 largest banks.

- **Measures on NPA front:** With the gross NPAs of banks touching double digits, RBI took a number of measures, as outlined below, to address the NPA menace:

  - Revised rules for revival and rehabilitation of MSMEs having loan limits up to ₹ 25 crore.
  - Unveiling of a Scheme for Sustainable Structuring of Stressed Assets (S4A).
  - Mulling publication of the photographs of borrowers, who have been declared as wilful defaulters.
  - Overhaul of Strategic Debt Restructuring (SDR) scheme, under which a new promoter should acquire at least 26 percent of the paid-up equity capital of the borrower company and be the single largest shareholder of the borrower company.
  - Strengthening the Guidelines and Raising Industry Standards for Credit Rating Agencies (CRAs).

  In addition to the above measures, there is a list of radical measures that are on the table for speedy resolution of bad debts which include:

  - Focussing on large stressed assets in specific sectors such as steel, power and infrastructure.
  - Overhauling Joint Lenders Forum (JLF).
  - Setting up of more Oversight Committees.
  - Setting up of private Asset Reconstruction Companies.