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March 21, 2006

**RBI Cancels the Licence of The Hyderabad Cooperative Urban Bank Ltd.,  
Yakutpura, Hyderabad, (Andhra Pradesh)**

In view of the fact that the Hyderabad Cooperative Urban Bank Ltd., Yakutpura, Hyderabad, (Andhra Pradesh) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Andhra Pradesh had failed and the depositors of the bank were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order, canceling its licence to the bank after the close of business on March 7, 2006. Immediately on cancellation of the licence and at the request of the Reserve Bank, the State Government on March 7, 2006, appointed a liquidator for the bank. It may be highlighted that on liquidation every depositor is entitled to repayment of his deposits up to a monetary ceiling of Rs.1,00,000/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The Reserve Bank of India decided to cancel the licence of the Hyderabad Cooperative Urban Bank Ltd., Yakutpura, Hyderabad, (Andhra Pradesh) as a final step after examining all the options for revival of the bank and in order to protect the interest of the depositors. The Reserve Bank had, after finding the financial position of the Hyderabad Cooperative Urban Bank Ltd. precarious in 2003, placed the bank under directions under Section 35A of the Banking Regulation Act, 1949(As Applicable to Co-operative Societies) with effect from the close of business as on August 26, 2003, prohibiting the bank from accepting fresh deposits. The inspection of the bank with reference to its position as on March 31, 2005 revealed deterioration in its financial condition. Its deposits were getting eroded, as realizable value of paid-up capital and reserves was negative. Thereafter, the Reserve Bank issued a notice to the bank on September 27, 2005 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. As the bank did not have a viable Action Plan for revival and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of canceling licence of the bank in the interest of the bank's depositors. With the cancellation of its licence and taking it into liquidation, the process of paying the depositors of Hyderabad Cooperative Urban Bank Ltd., the amount insured as per the DICGC Act will now be set in motion.

Consequent to the cancellation of its licence, the Hyderabad Cooperative Urban Bank Ltd., Yakutpura, Hyderabad is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949(AACS) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri M. Chandrashekar, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Hyderabad. His contact details are as below:

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