



RESERVE BANK OF INDIA

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PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

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Reserve Bank Cancels the Licence of the Shriram Sahakari Bank Ltd., Nashik (Maharashtra)

In view of the fact that the Shriram Sahakari Bank Ltd., Nashik, Maharashtra, had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order canceling its licence to the bank on June 13, 2006 at 10.30 a.m. The Registrar of Co-operative Societies, Maharashtra has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation, every depositor is entitled to repayment of his/her deposits up to a monetary ceiling of Rs.1,00,000/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The Reserve Bank of India decided to cancel the licence of the Shriram Sahakari Bank Ltd., Nashik, Maharashtra, as a final step after examining all the options for revival of the bank and in order to protect the interests of the depositors. The inspection of the bank with reference to its financial position as on September 30, 2004, revealed that the bank's financial position was unsatisfactory. The bank was, therefore, issued directions under Section 35 A of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) vide orders dated October 25, 2004. The subsequent inspection of the bank conducted with reference to its financial as on March 31, 2005 revealed further deterioration in its financial condition. Its deposits were getting eroded as realizable value of paid-up capital and reserve was in the negative. The bank had also violated Reserve Bank's directions dated October 25, 2004. Therefore, on the basis of the Reserve Bank's requisition dated August 19, 2005 the Board of Directors of the bank was superseded by Registrar of Co-operative Societies, Maharashtra, for gross mismanagement of the bank's affairs. The Reserve Bank of India also issued a notice to the bank on November 10, 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 plan of action for its revival and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of cancelling licence of the bank in the interest of the bank's depositors. With the cancellation of its licence and commencement of liquidation proceedings, the process of paying the depositors of the Shriram Sahakari Bank Ltd., Nashik, Maharashtra, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, the Shriram Sahakari Bank Ltd., Nashik, Maharashtra 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 S.Sen, General Manager-in-Charge, Urban Banks Department, Reserve Bank of India, Mumbai. His contact details are as below:

Postal Address: Urban Banks Department, Reserve Bank of India, Mumbai Regional Office, 2nd Fl., Garment House, A.B. Road, Worli, Mumbai 400018. Tel.No. (022) 2493 9930-49, Direct No. (022) 24928052, Fax No. (022) 2493 5495, Email address: ssen@rbi.org.in.

Alpana Killawala
Chief General Manager