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RESERVE BANK OF INDIA

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**Reserve Bank Cancels the Licence of
The Bharuch Nagarik Sahakari Bank Ltd., Bharuch (Gujarat)**

In view of the fact that the Bharuch Nagarik Sahakari Bank Ltd., Bharuch Gujarat, had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank on February 22, 2008. The Registrar of Co-operative Societies, Gujarat 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 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 Bharuch Nagarik Sahakari Bank Ltd., Bharuch, Gujarat 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 inspection of the bank conducted with reference to its position as on March 31, 2006 revealed deterioration in its financial condition. Its deposits were getting eroded as realizable value of paid-up capital and reserve was in the negative. In view of the deterioration in the bank's financial position and liquidity crunch, the bank was issued directions under Section 35A of the Act with effect from close of business on July 12, 2006 prohibiting it, inter alia, from accepting fresh deposits and granting fresh loans and restricting repayment of deposits to Rs.1000/- per deposit account. Subsequent inspection of the bank conducted with reference to its position as on March 31, 2007 revealed further deterioration in the quality of assets.

The Reserve Bank had issued a notice to the bank on October 16, 2007 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 canceling the 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 Bharuch Nagarik Sahakari Bank Ltd., Bharuch will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, the Bharuch Nagarik Sahakari Bank Ltd., Bharuch 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 Smt. Mythili Ramakrishnan, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. Her contact details are as below :

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