


	प्रेस प्रकाशनी PRESS RELEASE
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June 17, 2008

**Sahara India Financial Corporation Ltd (SIFCL)
Acceptance of Deposits**

Reserve Bank of India had, by its order dated June 4, 2008, in exercise of its powers under Sections 45K(4) and 45MB(1) prohibited SIFCL from accepting deposits from the public and directed SIFCL, inter alia, to repay the depositors on maturity and comply with the directions of RBI. SIFCL filed a Writ Petition before the Honourable Lucknow Bench of the High Court of Judicature at Allahabad and obtained on June 5, 2008, an order staying the operation of the order dated June 4, 2008 issued by RBI. In the Special Leave Petition filed by SIFCL on June 6, 2008, the Honourable Supreme Court by its order dated June 9, 2008, observed that RBI had complied with the rules of natural justice while passing the order dated June 4, 2008, but felt that it was appropriate to provide a personal hearing to SIFCL and pass a fresh order.

Pursuant to the directions of the Honourable Supreme Court, personal hearing was given to the officials of SIFCL on June 12, 2008 and June 16, 2008. After taking into consideration all the oral and written submissions made by SIFCL, on being satisfied that to protect the interests of depositors and in public interest, it is necessary and expedient so to do, in exercise of the powers vested in RBI under Section 45K(3) of RBI Act, 1934, RBI passed a fresh order containing the following directions:

“(i) SIFCL is hereby directed not to accept any new deposit which matures beyond June 30, 2011 and to stop accepting installments of existing deposit accounts also with effect from that date. The Aggregate Liability to Depositors (ALD) will not exceed Rs.15,000 crore (rounded off) as of June 30, 2009, Rs.12,600 crore (rounded off) as of June 30, 2010 and Rs.9,000 crore (rounded off) as of June 30, 2011.

(ii) SIFCL shall repay the deposits as and when they mature and bring the ALD to zero on or before June 30, 2015.

(iii) SIFCL shall not treat non-payment of installments under any running daily deposit or other recurring deposit schemes by depositors after June 30, 2011, as a default by depositor and SIFCL shall be liable to pay the agreed rate of interest on the amounts actually held by it for the entire term of the deposit as if there was no default.

(iv) SIFCL shall continue to comply with the requirements of directed investments under paragraph 6 of RNBC Directions with respect to its ALD.

(v) SIFCL shall ensure 100% compliance with KYC norms for all new deposits.

(vi) SIFCL shall subject to (i) (ii) (iii) above, strictly comply with the requirements of all the applicable provisions of the RBI Act, the directions, guidelines, instructions and circulars issued by RBI there-under from time to time until such time as all the deposits are repaid with interest in full. For repaying the depositors, SIFCL shall first apply its income and investments other than the investments it is required to maintain under paragraph 6 of RNBC Directions.

(vii) SIFCL shall, without prejudice to the above, be entitled to carry on its other business activities in accordance with law.

(viii) SIFCL shall submit a comprehensive business plan before the close of business on 16th August 2008.”

RBI has incorporated in its order, the offer made during the personal hearing by the Managing Director & Chairman of SIFCL and the senior executives of SIFCL. Keeping in view quality corporate governance, they offered to (a) reconstitute the Board of Directors of SIFCL within a period of thirty days from June 16, 2008 so that the Board shall consist of 50% of such independent directors as are acceptable to Reserve Bank of India; (b) get the appointment of these independent directors ratified at the ensuing Annual General Meeting of the company and to continue the said arrangement till such time as all depositors are repaid in full; and (c) appoint statutory auditors from the panel of auditors suggested by Reserve Bank of India at the ensuing Annual General Meeting of the company envisaged by August 31, 2008 and to continue to appoint statutory auditors each year from the panel suggested by Reserve Bank of India till all depositors are repaid in full.

Alpana Killawala
Chief General Manager

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