


	<b>प्रेस प्रकाशनी PRESS RELEASE</b>
<p><b>संचार विभाग</b>, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001</p> <p><b>DEPARTMENT OF COMMUNICATION</b>, Central Office, S.B.S. Marg, Mumbai 400001</p> <p>फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279</p>	 <p><b>भारतीय रिज़र्व बैंक</b> <b>RESERVE BANK OF INDIA</b></p> <p>वेबसाइट : <a href="http://www.rbi.org.in/hindi">www.rbi.org.in/hindi</a> Website : <a href="http://www.rbi.org.in">www.rbi.org.in</a> ई-मेल email: <a href="mailto:helpdoc@rbi.org.in">helpdoc@rbi.org.in</a></p>

December 11, 2008

### **Licence of Bhavnagar Mercantile Co-operative Bank Ltd., Bhavnagar – Cancelled**

The Reserve Bank of India delivered the order cancelling the licence of Bhavnagar Mercantile Co-operative Bank Ltd. Bhavnagar, after the close of business on December 10, 2008. The bank had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors of the bank were being inconvenienced by continued uncertainty. 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/her deposits up to a monetary ceiling of Rs.1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by Reserve Bank of India on December 13, 1986 to commence banking business. The statutory inspection of the bank with respect to its position as on December 31, 2002 had indicated that its financial position was impaired. Due to precarious financial position and the liquidity crunch faced by the bank it was placed under directions with effect from August 21, 2004 vide Directives UBD. NSB No. D-103/12.03.100/2004-04 dated August 19, 2004. In view of the unsatisfactory state of affairs of the bank, the Board of Directors of the bank was superseded with effect from December 14, 2004.

The inspection findings of the bank with reference to its financial position as on December 31, 2004 and March 31, 2006 indicated that the bank's financial health was not sound.

The statutory inspection of the bank with respect to its position as on March 31, 2007 revealed that its financial position was precarious. The Reserve Bank of India issued a show cause notice to the bank on September 04, 2008 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. The reply to the show cause notice was examined. The bank did not have a viable plan of action for its revival. In the absence of any viable proposal turn around and achieve the required regulatory prescriptions the possibility of revival of the bank was remote. Therefore, 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 Bhavnagar Mercantile Co-operative Bank Ltd. Bhavnagar, Gujarat will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, the bank 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 C N Modi, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are : Postal Address: La Gajjar Chambers, Ashram Road, Ahmedabad-380 009 Tel. No. (079) 26589338, Fax No. (079) 26584853 or for email click here.

**Ajit Prasad**  
Manager

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