



**भारतीय रिज़र्व बैंक**

**RESERVE BANK OF INDIA**

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### **Reserve Bank Cancels the Licence of Shri Bhadran Mercantile Co-operative Bank Ltd., Bhadran (Gujarat)**

In view of the fact that Shri Bhadran Mercantile Co-operative Bank Ltd, Bhadran (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 on March 30, 2012 delivered its order dated March 21, 2012 to the bank cancelling its licence to carry out banking business. The Registrar of Co-operative Societies, Gujarat State 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 ₹ 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 11, 1986 to commence banking business. In view of its precarious financial position and with a view to preventing preferential payments and protecting the interest of the depositors, the bank was placed under Operational Instructions under Section 36(1) of the Banking Regulation Act, 1949 (AACS) with effect from the close of business on October 31, 2006 restricting withdrawal of deposits to ₹1000/- per depositor. The statutory inspection of the bank carried out under Section 35 of the Act ibid with reference to its financial position as on March 31, 2010 revealed further deterioration in its financial position and other violations. Its net worth and CRAR were assessed at ₹ 10.72 lakh and 29.6% respectively. The gross NPAs formed 81.3% of the gross advances. The assessed net loss of the bank stood at ₹ 263.73 lakh. The statutory inspection conducted by Reserve Bank of India under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on March 31, 2011 revealed that the assessed networth was (-) ₹ 272.67 lakh, CRAR was (-) 413.5%, gross NPAs were 78.2% of the gross advances and the deposit erosion was 55.0%. As the financial position of the bank with reference to its position as on March 31, 2011 turned precarious and revealed further deterioration, the bank was placed under Directions under Section 35A (1) of the Act ibid for a period of six months from the close of business on August 26, 2011 which was extended for a further period of six months from the close of business on February 26, 2012, subject to review.

A Show Cause Notice for cancellation of licence under Section 22 of the Banking Regulation Act, 1949 (AACS) was issued on December 22, 2011. The bank in its reply dated January 16, 2012 admitted the irregularities/observations and did not furnish any specific comment on the deficiencies detailed in the SCN. The bank had not submitted any

concrete revival plan or any proposal for merging itself with any strong UCB. In the absence of any proposal for merger and in view of the bank's precarious financials, chances of its revival are remote and continuation of the bank will lead only to further erosion in its deposits and will be against public interest.

It is therefore, evident from the above that:

- The bank does not comply with the provisions of Section 11(1), 22 (3) (a) and 22 (3) (b) of the Act *ibid*.
- The bank is not in a position to pay its present and future depositors.
- The affairs of the bank are being conducted in a manner detrimental to the interest of the depositors.
- The financial position of the bank leaves no scope for its revival.
- In all likelihood public interest will be affected if the bank is allowed to carry on its business any further.

Therefore, Reserve Bank of India took the extreme measure of cancelling the licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Shri Bhadran Mercantile Co-operative Bank Ltd, Bhadran (Gujarat), the amount insured as per the DICGC Act, 1961 will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Shri Bhadran Mercantile Co-operative Bank Ltd, Bhadran (Gujarat) is prohibited from carrying on business of 'banking' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS).

For any clarifications, depositors may approach Smt. M. K. Subhashree, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. Her contact details are as below:

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