



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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November 16, 2011

Reserve Bank Cancels the license of The Charminar Co-operative Urban Bank Ltd., Hyderabad (Andhra Pradesh)

In view of the fact that the operations of The Charminar Co-operative Urban Bank Ltd., (Andhra Pradesh) had ceased to be solvent, all efforts to turnaround in consultations with the Government of Andhra Pradesh had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order dated November 08, 2011 canceling its license to the bank after the close of business on November 15, 2011. The Registrar of Co-operative Societies, Andhra Pradesh 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, if he / she has not received the same as per the Scheme of Reconstruction notified by the Government of Andhra Pradesh under Section 115 (B) (i) of the Andhra Pradesh Co-operative Societies Act, 1964 vide GO. MS. No. 4 dated February 27, 2003.

2 The bank was granted a license by Reserve Bank on September 24, 1985 to commence banking business. Based on the findings of the inspection conducted with reference to its financial position as on September 30, 2001, Operational Instructions under Section 36 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [B. R. Act, 1949 (AACS)] were issued to the bank on January 2, 2002 imposing, inter alia, certain restrictions on its acceptance, / payment of deposits as also on lending. However, the liquidity position continued to remain critical.

3. The scrutiny conducted by RBI in February 2002 revealed that the bank was not in a position to meet the demand of its depositors. In order to protect the interest of the depositors, directions under Section 35 of the B. R. Act, 1949 (AACS) were issued to the bank from the close of business on February 25, 2002 restricting, inter alia, acceptance of any fresh deposits and repayment of deposits to a maximum of ₹ 1000/- per depositor. The bank's Board was superseded on March 2, 2002 and Registrar of Co-operative Societies (RCS), Andhra Pradesh appointed a Persons-in-Charge (PIC) Committee to manage the affairs of the bank.

4. With a view to restructure and revive the bank, the Government of Andhra Pradesh notified a Scheme of Reconstruction in consultation with RBI which came into force with effect from March 3, 2003. Consequently, directions issued under Section 35A of BR Act, 1949 (AACS) were revoked. The Scheme, however, failed to yield the desired results. The subsequent inspections of the bank also revealed no improvement in its financial position.

5. The statutory inspection of the bank conducted with reference to its financial position as on March 31, 2010 and the scrutiny carried out with reference to its financial position as on March 31, 2011 revealed no improvement in the functioning of the bank. Its net worth and CRAR as on March 31, 2011 were assessed at (-) ₹ 137.33 crore and (-) 999.9 per cent. The entire loan portfolio was assessed as impaired and the entire deposits were considered as eroded.

6. In terms of revised restructuring scheme, the bank for all its depositors having deposits above ₹ 10 lakh were to be paid the balance amount in 8 equal half yearly installments starting from March 2009. It was observed that the last installment(5th) was paid not out of the cash generated from recovery of NPAs but by disposing off the fixed deposits maintained with other banks. The bank itself accepted that any further recovery in NPA accounts were not possible. Without any further recovery in NPA accounts, the bank can hardly make repayment of the next installments.

7. From the facts and circumstances mentioned above it is observed that:

- i) The bank is not complying with the provision of Sections 11(1) 22(3)(a) and 22(3)(b) of the Act.
- ii) The bank is not in a position to pay its depositors in full, as and when their claims accrue.
- iii) The affairs of the bank are being conducted in a manner detrimental to the interests of its depositors.
- iv) The financial position of the bank leaves no scope for revival.
- v) In all likelihood, the public interest will be adversely affected if the bank is allowed to carry on banking business

9. The Reserve Bank of India issued a show cause notice to the bank on July 14, 2011, asking it to show cause as to why the license granted to it to conduct banking business should not be cancelled. In the reply to the show cause notice, the bank has not submitted any action plan for revival and its reply to the show cause notice was not found satisfactory. In the absence of any viable action plan to turnaround, Reserve Bank of India took the extreme measure of canceling the license of the bank in the interest of the bank's depositors. With the cancellation of its license and commencement of liquidation proceedings, the process of paying the depositors of The Charminar Co-operative Urban Bank Ltd., Hyderabad (Andhra Pradesh) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

10. Consequent to the cancellation of its licence, The Charminar Co-operative Urban Bank Ltd., (Andhra Pradesh), 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 R. N. Dash, General Manager, Urban Banks Department, Reserve Bank of India, Hyderabad. His contact details are as below:

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