



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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October 14, 2013

Reserve Bank Cancels the Licence of Shri Siddhi Vinayak Nagari Sahakari Bank Ltd., Rasayani, Raigad Dist., (Maharashtra)

In view of the fact that Shri Siddhi Vinayak Nagari Sahakari Bank Ltd., Rasayani, Raigad Dist., (Maharashtra) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India (RBI) delivered the order cancelling its licence to the bank and the same is effective from the close of business as on September 25, 2013. The Registrar of Co-operative Societies, Maharashtra 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 RBI on January 7, 1995 to commence banking business. The major financial indicators of the bank with reference to its financial position as on March 31, 2010, March 31, 2011 and March 31, 2012 are detailed in Annex.

The Statutory Inspection of the bank conducted by RBI under Section 35 of the BR Act, 1949 (AACS) with reference to its financial position as on March 31, 2010 revealed that the gross and net NPAs stood high at 15.2% & 8.8%, respectively. Based on the financial position as on March 31, 2010, operational instructions were issued to the bank vide RBI's letter dated June 8, 2011.

The inspection of the bank as on March 31, 2011 was prioritized on account of run on the deposits of the bank. In the absence of required liquidity and to prevent any preferential payment, all-inclusive directions were imposed on the bank from the close of business as on September 29, 2011. The validity of directions was extended from time to time. It was, *interalia*, observed during the above inspection that (i) assessed networth stood at (-) ₹235.59 lakh, (ii) assessed CRAR stood at (-) 9.5%, (iii) deposits had eroded to the extent of 6.9%, (iv) quality of management was not satisfactory, (v) there were large scale accounting manipulations by passing of fraudulent entries from October 18, 2010 to February 25, 2011 by way of fresh fictitious deposits in six dormant savings bank accounts and four term deposit accounts, (vi) some loan accounts were also closed by crediting amounts aggregating ₹312.35 lakh in July 2010 through contra debit of Branch Adjustment account, (vii) the bank had granted loans to the father-in-law and the sister-in-law of the ex-Vice Chairperson without any security, (viii) the bank had defaulted in maintenance of CRR / SLR during the period October 01, 2010 to March 31, 2011, (ix) the bank violated Single Borrower norms, (x) the bank violated directive on unsecured loans, (xi) the quality of credit appraisal and post disbursement credit supervision was not satisfactory and (xii) the bank had not adhered to IRAC norms. A monetary penalty of ₹1.00 lakh was imposed on the bank for violation of RBI directives (as pointed out in inspection report as on March 31, 2011) vide Speaking Order dated November 6, 2012. The bank had not paid the penalty till date.

Based on the findings of the above inspection, the Board of the bank was superseded by Registrar of Co-operative Societies, Maharashtra on May 05, 2012 on the requisition issued by RBI and the bank was under an Administrator since May 08, 2012.

The statutory inspection of the bank with reference to its financial position as on March 31, 2012 revealed severe deterioration of its financial position. The assessed networth stood at (-) ₹738.97 lakh, assessed CRAR stood at (-) 25.5% and deposits had eroded to the extent of 23.5%. The inspection also, *interalia*, revealed that (i) the bank had defaulted in maintenance of SLR from October 2010 to May 31, 2012 and CRR from October 10, 2010 to September 09, 2012, (ii) the investment in SLR securities at 17.2% was below the requirement of 25.0% of the applicable NDTL, (iii) the bank had not made provisions for interest liability on matured deposits, (iv) the bank had created floating charge on its assets without obtaining approval from RBI thereby violating section 14A of the B.R.Act, 1949 (AACS), (v) the bank had made certain fraudulent entries aggregating ₹923.45 lakh, (vi) the bank's exposure to unsecured advances including the fraudulent entries amounting to ₹923.45 lakh stood at 21.3% of total assets of previous year thereby breaching the limit of 10.0%, (vii) the bank had not adhered to IRAC norms, (viii) there was wide divergence in classification of NPAs, (ix) NPA management of the bank was not satisfactory as there was a huge slippage of ₹1519.04 lakh against recovery of ₹352.72 lakh and (x) the bank had one fraud case outstanding in its books amounting to ₹1141.61 lakh as its Panvel branch but the bank had not initiated any legal action against the employee who committed the above fraud.

Penal interest amounting to ₹21,97,768/- was imposed on the bank for non-maintenance of CRR/ SLR from November 2010 to September 2011. The bank had not paid the penal interest till the date of cancellation of licence.

Based on the financial position of the bank as on March 31, 2012 the bank was issued a Show Cause Notice (SCN) vide letter dated June 5, 2013 to show cause as to why the licence granted to it on January 7, 1995 to carry on banking business under section 22 of the BR Act, 1949 (AACS) should not be cancelled and the bank be taken into liquidation. The bank's reply to the SCN vide letter dated July 2, 2013 was examined and not found to be satisfactory. The bank had also informed that the Administrators are exploring merger possibilities with two banks. However, no concrete merger proposal had been received from any bank till date.

From the above, it is conclusively established that

- i. The bank is not in a position to pay its present and future depositors;
- ii. The affairs of the bank were and are being conducted in a manner detrimental to the interests of the depositors;
- iii. The bank does not comply with section 11(1), 22(3)(a) and 22(3)(b) of the BR Act, 1949 (AACS);
- iv. The financial position of the bank leaves little scope for its revival and
- v. In all likelihood, public interest would be adversely affected if the bank were allowed to carry on its business any further.

Therefore, RBI 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 Shri Siddhi Vinayak Nagari Sahakari Bank Ltd., Rasayani, Raigad Dist., (Maharashtra), 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 Siddhi Vinayak Nagari Sahakari Bank Ltd., Rasayani, Raigad Dist., (Maharashtra) is prohibited from carrying on 'banking business' as defined in section 5(b) of the BR Act, 1949 (AACCS).

For any clarifications, depositors may approach Smt.Suchitra Maurya, General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai – 400 018

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Annex

Major financial indicators of Shri Siddhi Vinayak Nagari Sahakari Bank Ltd., Rasayani, Raigad Dist., (Maharashtra):

(₹ in lakh)

Particulars	As on 31.03.10	As on 31.03.11	As on 31.03.12
Networth	271.55	(-)235.59	(-)738.97
CRAR	10.7%	(-)9.5%	(-)25.5%
Net Profit /loss	19.48	(-)542.63	(-)1005.00
Gross NPAs Amount	455.57	591.25	1757.57
Percentage	(15.2%)	(22.5%)	(59.4%)
Net NPAs Amount	245.57	372.25	1562.57
Percentage	(8.8%)	(15.4%)	(56.6%)
Erosion in deposit	Nil	6.9%	23.5%
Deposits	4445.81	3403.04	3147.81
Advances	2996.79	2630.72	2956.74
Borrowings	Nil	Nil	64.16

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Ajit Prasad
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