


भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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October 15, 2013

Reserve Bank Cancels the Licence of The Konkan Prant Sahakari Bank Ltd., Mumbai, (Maharashtra)

In view of the fact that The Konkan Prant Sahakari Bank Ltd., Mumbai, (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 October 1, 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 June 17, 1988 to commence banking business. The major financial indicators of the bank with reference to its financial position as on March 31, 2009, March 31, 2011 and March 31, 2012 are detailed in the 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, 2011 revealed that assessed networth stood at (-) ₹ 1084.95 lakh, assessed CRAR stood at (-) 34.0% and deposits had eroded to the extent of 19.8%. It was, *interalia*, observed during the inspection that (i) the bank had not provided for payment of interest on matured fixed deposits, (ii) the investment in SLR securities at 16.6% of NDTL was below the requirement of 25.0% of the applicable NDTL, (iii) investment portfolio of the bank was not subject to concurrent audit, (iv) the system and quality of credit appraisal in the bank was deficient and there was no system of post sanction supervision of loans, (v) assessed gross and net NPAs had increased sharply, (vi) there was no system of detecting and reporting NPAs, (vii) the bank had not adhered to IRAC norms, (viii) the performance of the Board was unsatisfactory as reflected in the high level of gross and net NPAs, assessed loss, negative CRAR etc. and (ix) the quality of housekeeping was not satisfactory.

In view of the above irregularities/deficiencies and considering deterioration of financial position of the bank and erosion of deposits to the extent of 19.8%, all-inclusive directions were imposed on the bank under section 35A of the BR Act, 1949 (AACS) vide directive UBD.CO.BSD-I/D-04/12.22.114/2012-13 dated August 06, 2012 effective from the close of business on August 7, 2012. The directions,

among others, prohibited acceptance of fresh deposits and further lending and restricted repayment of deposits up to a maximum of ₹ 1000/- per depositor. The validity of extant directions was extended from time to time.

The statutory inspection of the bank with reference to its financial position as on March 31, 2012 revealed further deterioration of its financial position. The assessed networth stood at (-) ₹ 1347.34 lakh, assessed CRAR stood at (-) 44.3% and deposits had eroded to the extent of 24.2%. The inspection also, *interalia*, revealed that (i) the bank had sanctioned 16 director-related loans, (ii) the bank had not adhered to IRAC norms, (iii) Gross NPAs continued to be high at 52.0% of total advances, (iv) the bank had breached its single borrower limit, (v) the bank had not provided for gratuity and leave encashment of its staff, (vi) the bank had not provided for interest liability on matured fixed deposits, (vii) the bank was not calculating interest payable on savings bank deposits on daily product basis, (viii) the investment in SLR securities at 16.3% of NDTL was below the requirement of 25.0% of the applicable NDTL, (ix) investment portfolio of the bank was not subject to concurrent audit, (x) the Board had not strictly followed the Calendar of Reviews prescribed by RBI and (xi) the bank did not take into account interest payable on deposits for the purpose of payment of DICGC premium.

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 April 4, 2013 to show cause as to why the licence granted to it on June 17, 1988 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 letters dated May 2 and 3, 2013 was examined and not found to be satisfactory. The bank had informed vide letter dated June 15, 2013 that it had held talks with five co-operative banks regarding its merger with them and some of the banks had agreed in-principle for merger process. The bank had sought time till July 15, 2013 for finalisation of the merger process which was granted by RBI. The bank, again, vide letters dated July 15, 2013 and July 30, 2013 informed that it had held talks with Nagpur Nagarik Sahakari Bank Ltd., Nagpur regarding its merger and sought further time for finalization of the merger process. Though the bank was given time till July 15, 2013, no concrete merger proposal was received from any co-operative 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 The Konkan Prant Sahakari Bank Ltd., Mumbai, (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, The Konkan Prant Sahakari Bank Ltd., Mumbai, (Maharashtra) is prohibited from carrying on 'banking business as defined in section 5(b) of the BR Act, 1949 (AACS).

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 The Konkan Prant Sahakari Bank Ltd., Mumbai, (Maharashtra):

(₹ in lakh)

Particulars	As on 31.03.09	As on 31.03.11	As on 31.03.12
Networth	361.18	(-)1084.95	(-)1347.34
CRAR	11.4%	(-)34.0%	(-)44.3%
Net Profit /loss	17.70	(-)1382.97	(-)621.43
Gross NPAs Amount	295.23	1841.51	1848.37
Percentage	(10.1%)	(58.2%)	(52.0%)
Net NPAs Amount	124.24	679.72	462.91
Percentage	(4.5%)	(34.0%)	(21.3%)
Erosion in deposit	Nil	19.8%	24.2%
Deposits	4096.07	5489.68	5566.43
Advances	2908.84	3163.45	3555.92
Borrowings	Nil	Nil	318.77

(As per extant policy, inspection of the bank was not undertaken with reference to its financial position as on March 31, 2010)

Press Release: 2013-2014/787

Ajit Prasad
Assistant General Manager