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Borrowing For Tier II Capital

LONG TERM DEPOSIT (LTD) SCHEME

OFFER DOCUMENT

1. Preamble:

The Commissioner for Co-operation and Registrar of Co-operatives Societies, Maharashtra State, Pune 1 (The Commissioner) in consultation with Reserve Bank of India (RBI) has permitted Janakalyan Sahakari Bank Ltd., Mumbai (JSBL) to raise funds to the tune of Rs.40,00,00,000/- (Rupees Forty Crore Only) through the instrument of LTD for augmenting Tier II Capital of JSBL in order to facilitate compliance with the prescribed Capital Adequacy Norms. This permission has been granted by RBI vide their letter No.UBD.CO.BSD(SBS)/8910/12.22.087/2008-09 dated 05.03.2009 and the Commissioner vide their letter No. बँका/डी-४/दीर्घ मुदत देवी/जनकल्याण सहकारी बँक/२००९ dated 06.03.2009.

2. About the Bank

JSBL was established in the year 1974 and is presently having 25 branches and 1 Extension Counter. The Bank achieved Scheduled status in January 1998. All the branches are located in and around Mumbai and 15 of the premises are on ownership basis. The area of operation of the Bank is in the entire State of Maharashtra.

All the branches of the Bank including the Head Office are fully computerized. The Bank has 7 onsite ATMs and is in the process of tie-up with BANCS for ATM Switch connectivity. The existing 7 ATMs are inter-connected through Switch. It offers Any Branch Banking as also RTGS/NEFT facility to its customers. Recently, the RBI has approved installation of 3 more On-site ATMs. The Bank has already initiated the process for Core Banking Solutions and the same is expected to be operational shortly.

There has been sustained growth and improvement in the overall financial position of the Bank. In the FYs 2004-05 and 2005-06, the Bank incurred losses mainly due to higher provisioning in respect of NPAs. The rise in NPAs was due to various external factors. In the intervening period i.e. October 2005, the Bank faced a run on its Deposits due to a misleading report in marathi news paper which resulted in a great set-back. During this period, the Bank saw an erosion of Rs. 291.83 crore in deposits. It is pertinent to note that the Bank successfully faced the run which is a testimony of the strength of the Bank. The deposit has thereafter increased by more than Rs. 300 crore as on 31.12.2008.

The Bank is presently in revival mode and has made Net Profit in the FYs 2006-07 and 2007-08. Further, the Bank could change and maintain healthy portfolio of deposits and advances along with consistent good recoveries in NPAs. Various steps have been taken to introduce value added products to enhance customer service.

The select financial indicators as at the end of preceding financial year ended 31st March 2008 along with the relative position in the past two years is given below for information :

(Amount Rs. in Crore)

Sr. No.	Particulars	31.03.06	31.03.07	31.03.08
i.	Share Capital	36.89	36.89	40.32
ii.	Total Deposits	861.43	927.39	1062.32
iii.	Low Cost Deposit %	29.55%	33.93%	34.87%
iv.	Total Advances	553.93	618.46	717.62
v.	Gross NPA %	33.67%	25.37%	19.02%
vi.	Net NPA %	16.71%	9.28%	5.14%
vii.	Net Profit for the year	-50.71	2.51	3.19
viii.	Balance of accumulated loss	89.12	86.61	83.42
ix.	CRAR - %	-6.64	-4.89	-2.57

It is evident that the Bank has made substantial progress and started generating profits from the year ended March 2007. The Bank expects to generate good profit in the year ending March 2009 and thereafter.

It is clear from the foregoing that:

- (i) There is good growth in both deposits and advances.
- (ii) The Share Capital as on 31.03.2008 has also increased vis-à-vis the position as on 31.03.2007.
- (iii) The Bank has turned the corner in the year ended March 2007.
- (iv) The percentage of Net NPA has also come down substantially.
- (v) There is good improvement in the CRAR.
- (vi) To sum up the Bank is in revival mode with good improvement in the relevant financial indicators.

3. Salient features of the L.T.D. Scheme

- i. LTDs will be accepted from individuals (Single / Jointly), Regd. Organization, Private or Public Limited Company, Regd. Public Trust, HUF, Regd. Co-op Societies etc. who are members as well as non-members, including those outside the area of operations of the Bank. However, other Co-operative Banks are not permitted to keep deposits under the LTD Scheme.
- ii. The minimum amount of deposit is Rs. 1.00 lac and thereafter in multiples of Rs. 10,000.
- iii. LTD will be subordinated to the claims of depositors and other creditors but would rank senior to the claims of shareholders. In other words, claims of normal depositors and creditors will have priority over the claims of LTD holders.
- iv. LTD will not be eligible for insurance cover from the Deposit Insurance and Credit Guarantee Corporation (DICGC).
- v. No loans will be granted against the security of LTD, nor will the same be accepted as principal or collateral security.
- vi. Payment before due date is not permitted in case of LTD.
- vii. Repayment of LTD at maturity shall be made only with the prior approval of the RBI and subject to the condition that Bank's Capital to Risk Weighted Assets Ratio (CRAR) is above the minimum regulatory requirement and the impact of such repayment does not result in Bank's CRAR falling below or remaining below the minimum regulatory requirement.
- viii. The tenure of LTD will be 7 years (seven years) from the date of issue.
- ix. The Bank reserves the right of "Call Option" (i.e. repaying the deposit before the date of maturity at the option of the Bank) which may be exercised after 5 years from date of issue with prior permission of the RBI.
- x. The Bank proposes to pay a special rate of interest on LTD deposits as under:

Category	Rate of Interest
General Public	11.25% p.a.
Senior Citizen / Staff / High Net Worth (Single receipt of Rs. 15 Lacs and above)	11.50% p.a

- Interest will be payable at monthly / quarterly rests at the option of the depositor.
 - Interest will normally be credited to the SB / Current account of the depositor. In case of non-account holders, the interest will be paid by Banker's cheque / pay-slip.
 - The option of "Cumulative" deposit is not available under LTD scheme. As such, interest on interest will not be payable.
 - Interest on deposit ceases to be payable from date of maturity.
 - Tax will be deducted at source from the interest paid as per the extant provisions of Income Tax Act, 1961. No tax will be deducted from the amount of interest paid to the shareholders of the Bank, as per the extant provisions.
- xi. Repayment of principal amount of deposit will be made by credit to the Savings / Current account of the account holders/ Nominee and by Banker's cheque / Payslip in the case of non-account holders / Nominee, upon presentation of the duly discharged deposit receipt. Repayment will be subject to RBI permission as mentioned under item (vii).
 - xii. Duplicate deposit receipt will not be issued if the original is lost by the depositor.
 - xiii. Deposit receipt is not transferable by endorsement.
 - xiv. The Bank will not recognize any lien, charge or other encumbrance on the deposit.
 - xv. All disputes/ transactions are subject to the jurisdiction of the courts of the city of Mumbai.
 - xvi. Acceptance of deposits under LTD Scheme will be stopped by the Bank on receipt of the total amount of Rs. 40.00 crore, which is the maximum amount permitted. The Bank reserves the right to accept any lesser amount, without assigning any reason.

4. Our Sincere Appeal

We appeal to all our depositors/shareholders/valued customers to subscribe to the deposits to the maximum extent and help the Bank in achieving the desired level of CRAR at the earliest.