FOREWORD

Dear Colleague,

I am happy to note that, State Bank of India Officers' Association (Bengal Circle) is coming up with the 2nd edition of "Handbook on SME Advances" for all our employees dealing with SME Advances. I had the privilege of releasing the previous edition of this book & I am delighted to know that this book was distributed amongst one thousand officials dealing in SME business across the Circle & has been a popular reference book for many of us.

SME advances have been the core strength of our Bank for so many years. With passage of time, we have lost touch with the SME segment resulting in muted growth in our SME loan book. In our Circle, the aversion to SME Credit is largely due to frauds committed earlier by the unscrupulous businessman/promoters, poor asset quality, adverse selection of borrowers etc. But the biggest impediment is "Knowledge Gap". With proper job knowledge & adequate market information, all the above issues can be overcome. Knowledge is power & it gives us the confidence to handle the jobs in correct & efficient manner.

As the chorus for revival of SME segment grows in the post Covid-19 scenario & in the backdrop of "Atmanirbhar Bharat" campaign launched by the Govt., the knowledge to grow SME business will be a desirable requirement for our employees. This handbook will go a long way in filling the need.

I congratulate State Bank of India Officers' Association (Bengal Circle) for taking this initiative to augment the efforts undertaken by the Bank to improve knowledge level of operating functionaries through this updated edition. I wish this initiative of SBIOA Bengal Circle a grand success.

Stay Safe & Healthy.

With regards,

Ranjan Kumar Mishra
Chief General Manager

PREFACE

A handbook on SME Advance was published by the Circle Association on 8th September, 2019. There have been drastic changes in the banking space during the past three decades. The delivery platform, assessment of banking needs of the various groups of customers, the regulations and various other dimensions influencing the decision making process have undergone phenomenal changes. The change is more perceptible in the credit dispensation process of banks.

Small and Medium Enterprises play a vital role for the growth of Indian Economy and assume significant importance in the credit off take of the bank. In reality, our members grapple with some problems pertaining to SME advances on many occasions in the absence of any readily available guidance and solution. In this backdrop, it was our long cherished dream to bring out a handbook on SME advances. With publication of the Handbook, our dream came true. Our members had a firsthand feel of the art and science of SME advances. Inadequate credit appraisal always remained as one of the factors directly responsible for adverse selection of assets and eventual emergence of non-performing assets. Knowledge and skill provide the required confidence necessary for correct and expeditious credit decision. The Handbook speaks various nitty-gritty of credit process. It was an earnest attempt to take care of all the dimensions of credit process.

This revised booklet is a humble effort of the State Bank of India Officers' Association (Bengal Circle) to keep the membership appraised of all the changes that have taken place meanwhile in our work environment. We hope, the updated booklet will again be of immense value and will continue to instill in the members the insights and skill required to properly handle credit proposals and it will remain to be a valuable reference and useful resource for our members.

We sincerely appreciate the role of all who have been innately connected with collating and compilation of all useful information. All efforts are being made to make this publication error free. However, we invite suggestions from the members for improving and updating the contents of this compilation.

Asitava Kundu
President

Shubhajyoti Chattopadhyay
General Secretary

BANK LENDING:

Commercial Banks act as intermidiaries between savers of money and users of money. Credit function of Banks envisages deployement of funds amongst various borrower groups . These groups include : Commercial, Manufacturing & Engineering, Industrial ventures, Trade & Services, Agricultural and Retail (Housing, Education and Consumption).

RISKS UPON LENDING

There are three cardinal principles of lending : Safety, Liquidity and Profitability of the funds lent to the borrower viz. (i) Safety of funds depends upon the borrower's ability and willingness to pay, (ii) Liquidity of funds meant, returned back of funds invested in business / project as and when Demand made upon the borrower by Banks, (iii) The principle of profitability carries a message that a Commercial Bank operates out of people's money to earn income or profit for repayment of interest or recover cost of funds.

However, like every action, Banks lending is also associated with Risks, which can be identified as following :

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events is defined as Operational risk. It is also synonymous with settlement or payments risk and business interruption, administrative and legal risks. Operational risk has some form of link between credit and market risks. An operational problem with a business transaction could trigger a Credit or Market Risk. An unholy nexus between a Bank employee and Borrower may render the credit facility to NPA'.

Operational Risk can be controlled by (i) following Book of Instructions, Circulars and Policy guidelines. (ii) Exercise of Delegation of Financial Powers (iii) Use of Technology (iv) Inspection & Audit (v) Reporting to the appropriate authority (vi) Self Assessment Bank has introduced Risk Control and Self Assessment (RSCA). It is an empowering method / process by which management and staff of all levels collectively identify and evaluate risks and allotted controls. It aims to integrate risk management practices and culture into the way staff undertake their jobs and achieves business objectives.

Credit Risk

Credit risk is the possibility of losses resulting from a borrower's failure to repay a loan or to meet contractual obligation. The losses could take the form of default in the payment of principal or interest or both or non-payment of principal and / or interest when due or actual or perceived deterioration in the credit quality of portfolio (short of default). The probability of non-payment is the inherent risk in credit assets. The risks could be due to wilful default or nonpayment, financial distress / bankruptcy, interest rate movements and possible prepayment, changes in credit spread etc. Credit Risk Management is the most crucial issue in the field of Financial Risk Management. Credit risk analysis in general has been receiving greater attention by the Banking industry. The ability to discriminate good customers from bad ones is a highly decisive element to be successful in the banking and credit industry. Predicting and mitigating default events are at the core of appropriate credit risk management and this can be greatly helped by employing suitable quantitative models. Systematic Approach for Credit Risk Management encompasses : Assessment, Measurement, Monitoring of Risk and Control of Credit Exposures. Credit Risk Management is concerned more with the quality of credit portfolio before default rather than in the post default situation. Bank has adopted schematic scoring Model and appropriate CRA model(limit above Rs.50 lacs) comprising : Financial Risk, Industry Risk / Business Risk, Management Risk, Country Risk and qualitative parameters . Other Schematic Scoring Model is also used for simplified credit assessment. Besides, Appraising Officers also use CIBIL, SME Ranking Report (CMR), External Rating. The relevance of Credit Risk Management carries prime importance in SME Finance.

Market Risk

Market Risk may be defined as the possibility of loss to a bank caused by changes in the market variables. It is the risk to the bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those prices.

Market Risk Management of a bank thus involves management of interest rate risk,foreign exchange risk, commodity price risk and equity price risk. Besides, it is equally concerned about the bank's ability to meet its obligations as and when they fall due. In other word, it should be ensured that the bank is not exposed to Liquidity Risk.

Definitions :

(I) Micro, Small & Medium Enterprises Development(MSMED Act,2006):

According to Investment in P&M & Annual Turnover:

Categorisation	Manufacturing & Services
Micro	Investment <Rs.1 Crore & Turnover < Rs.5 Crore.
Small	Investment <Rs.10 Crore & Turnover <Rs.50 Crore.
Medium	Investment <Rs.20 Crore & Turnover <Rs.100 Crore.

For MSE Sector (both Manufacturing and Services enterprises) no collateral security is to be obtained for loans upto Rs. 10 lacs, and for loans up to Rs. 15 lacs the sanctioning authority may consider waiver of collateral security subject to compliance with certain conditions. For this sector, the Bank has decided to cover all eligible SME advances upto Rs. 200 lacs (manufacturing and services) and upto Rs. 100 lacs (retail trade) under CGTMSE scheme. The cost of guarantee i.e., Annual Guarantee Fee (AGF) shall be borne by the borrower for all loans (CC &TL) sanctioned on or after 01.07.2017 (irrespective of the amount, including renewal of Cash Credit facilities). The matter of recovery or absorption of guarantee fee by the Bank is reviewed from time to time. CGTMSE has introduced "Hybrid Security" product, wherein collateral security can be obtained for a part of the credit facility whereas remaining part of credit facility, upto a maximum of Rs. 200 lacs (manufacturing and service) and upto Rs. 100 lacs (retail trade) can be covered under CGTMSE.

Other borrowers may be sanctioned credit facilities under Bank's regular schemes.
The Borrowing Unit is classified into two categories according to the constitution e.g. Corporate Borrower (Public or Pvt. Ltd. Company) and Non-Corporate borrower (Individuals, Firms Private or Partnership, Societies, Trusts, HUF etc.)

The Credit extended to the borrowing unit is segregated as i)Fund based(FB)whereby the immediate outlay of funds is involved e.g. Working capital(WC), Stand By Line of Credit(SLC), Term Loan etc., (ii) NonFund basedwhereby the sanctioned credit is translated into outlay of funds in future or upon the happenings of events in future in the category of LC & BG.

PRE-SANCTION CREDIT PROCESS

The pre-sanction credit process comprises three stages viz., APPRAISAL & RECOMMENDATION, ASSESSMENT and SANCTION.

APPRAISAL

A. Preliminary Appraisal

i. Sourcing of Application :

Intending borrowers submit credit proposal (New or Renewal / Renewal cum enhancement) either through physically or through the website (SME e-Smart Score under CLP for >Rs.1 lac to Rs.500 lac – Cir.
Receive request letter from the Unit.

Proposals can also be sourced by Marketing Team / Branch from Market, Traders' / Merchants Association, Chamber of Commerce, various Industrial or Trade Department State Government or Central Govt, Export Import Promotion Board etc.
Proposals sponsored by Sponsoring Agencies : DIC,KVIB / KVIC,NABARD etc.
i. Bank's Standard Application is to be used for the Scheme or the Exposure Limit . The Loan Application is to be filled in by the applicant or the authorized person on behalf of the borrowing unit, signed by the authorized person. The Application must accompany with full sets of information (as per SME Check details) along with details of the proposal / project to derive the view of Promoter's Track Record, Project Cost, Means and sources of Fund, Margin and Security / Collateral details & apparent values. Details of the Associates, Subsidiary Companies and Sister Concerns Loan

Application is to be entered in Loan Application Received & Disposal Register.
The Loan proposal is to be dealt within the prescribed Time norms Screening from KYC Standards angle of Individuals, Firms (proporietorship / Partnership), Company, Trusts, Society, HUF etc (KYC Circulars)
Proof of Identity Voter Identity Card / Aadhar card / Passport, PAN Card etc.
Proof of Address Proof containing the name, address and activity of the concern (i) Registration certificate (in the case of a registered concern).(ii) Certificate / licence issued by the Municipal authorities under Shop & Establishment Act.,GST and Income Tax Returns (iii) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.
Board Resolutions, Articles of Association / Memorandum of Associations, Trust deed, Resolutions adopted by Society etc.

APPRAISAL

A. **Prima facie Acceptance of the Proposal**

Profile of the Borrower / Promoter / Senior management of the project Information from credit Information Companies – CIBIL, Experian Credit information Company Ltd, Equifax Credit Information Services Pvt. Ltd, High Mark Credit Information Services Pvt. Ltd.(Limit above Rs.10 lacs from two Credit Information companies) regarding Borrowing i-probe search for Rs. 10 lacs & above.

CIBIL MSME Rank (CMR) Report and Internal Rating under CUE-Lite are introduced apart from the existing Scoring Models (processing of Loans > Rs.10 lacs <Rs.50 lacs – Cir Sl.933 / 2018-19 dt. 10.10.18.

ROC Search Report in case of company: Existing Charges on Assets of the Company as evident in ROC Search Report. Financial statement submitted with Bank are to be compared with the financials submitted with ROC.

RBI / Willful Defaulters List / ECGC Caution list pertaining to the Borrowing Unit / Promoter / Partners / Directors of the Company.

Credit Risk Rating (for limit Rs.50 lacs & above) Scrutinisation of Financial of Borrowing Unit and Associates / Subsidiaries, Sister Concerns Scrutinisation of Memorandum of Association & Articles of Association of the Company to ascertain the scope of activity and the borrowing powers of the Company, no clause prejudicial to the interest of the Bank.

Credit Information Report from Existing Banker.

CRMD guidelines regarding the exposure of the particular Trade / Industry.

Compliance of Inspection & Audit irregularities (in case of existing units as observed in previous I & A Report.

Compliance with Take over norms in case Take over Loan from other banks
Norms for Takeover of advances under C&I and SME segment

Rating criterion

Extant Instructions

a) For exposures= > Rs.25 Lacs and above to less than Rs.10 crores where ECR is not available :

CRA of the borrower should be SB-7 or better and the proposed exposure must be backed by minimum 75% Collateral Security

For exposures from Rs.10 crores and upto Rs.50 crores,and incremental exposure, if any must be backed by minimum additional proportionate collateral security with the existing Bank (except cases where total exposure is backed by more than 100 % collateral security.

Where ECR is available, for exposures upto Rs.50 crs. CRA should be SB-9 or better and ECR should be 'BBB' or better.

For exposures above Rs.50 crores

Where ECR is not available-The CRA of the borrower should be SB-5 or better.

Where ECR is available CRA should be SB9 or better and ECR should be BBB+ or better.

Due Diligence

Operating Units should assess the requirements of the borrower and obtain sanction for the proposed limits before actually taking over the outstanding liability of the borrower from their existing bank / FI. While doing so, the following aspects should invariably be examined in each case of Take over:

Proper due diligence must be carried out on the borrower as well as the borrower group (if applicable) with a view to ensuring the Account proposed to be taken over is being conducted satisfactorily and not classified as SMA-2 or NPA in the books of the transferor bank / FI as also to determine that there are no unsatisfactory features or history of default in conduct of accounts of the company.

The name of the promoters / directors / guarantors should not appear in the list of defaulters / wilful defaulters / caution lists etc.

Verification to be done through I-Probe also.

External Rating Letter, produced by the prospective borrower has to be verified independently by accessing the External Rating Agency's web-site, apart from cross checking with analytical team of the respective External Rating Agency.

Discreet enquiries should be made for cross checking the reasons given by the borrower for moving the account, unless the account is in our target list for marketing.

Accounts restructured under CDR or under JLF mechanism, accounts under rehabilitation or under OTS should not be taken over except with the approval of ECCB.

Market perception regarding the unit and its management is to be recorded. (For this, the appraising officials may record enquiries made and feedback received briefly).

Whether potential ancillary business will accrue to the Bank in case competitive pricing is offered.

Terms and conditions stipulated by the existing bank and those proposed by our

Bank, with particular focus on ensuring that there is no dilution in security cover in respect of amount taken over.

The Credit Information Report (CIR) from the transferor bank should be obtained in the prescribed format before disbursement. However, Statement of Accounts of the prospective borrower for the last one year is to be obtained as part of Pre Sanction exercise and scrutinized for a feel of conduct / financial discipline of the account.

A declaration should be obtained from the applicant unit that it does not have any other credit facility in any bank / FI / NBFC which is irregular and that there is no overdue statutory dues. Such a declaration should be supported by a certificate from the Statutory Auditor of the prospective borrowing company.

To make reference to CRILC data to ascertain whether the prospective borrower is reported as stressed by any other bank.

Comprehensive Report (popularly called Data scrubbing) on the prospective borrower to be taken from CIBIL or other Credit Information Company (Equifax, CRIF-Highmark or Experian).

When a Term Loan is also being taken over, it should have a prompt repayment track record, and should also not have been restructured / rescheduled in the preceding two years. Further, the terms of repayment with the existing lender from whom the loan is being taken over, must continue, except in cases which qualify for refinance under 5 / 25 policy relating to Long Term Project Loans.

Term loans from State Financial Corporations selectively.
Generally, Takeover of loans below Rs 25 lacs is to be discouraged. However, in case of exceptional circumstances, operating units may consider Takeovers on a case to case to basis where product specific minimum scores shall be the threshold. As and when New Scoring Models for loans up to Rs 25 lac are rolled out, loans categorized / graded as "Good Loan – Clear Lending Decision" shall only be considered for Takeover.

In all cases of Takeover, branches should ensure completion of proper documentation and other formalities within a period not exceeding 90 days or as approved by the Sanctioning Authority, to protect the interests of the Bank.

Obtention of minimum score under each parameter for CRA viz. Business, Financial & Industry and Management risk is mandatory.

Collateral Security
No dilution in existing security coverage is permitted for the amount taken over, by releasing the existing security charged to the existing banks. In case Takeover is with enhancement / sanction of additional facilities, the collateral cover for additional credit facilities sanctioned should be as per the norms prescribed by the Bank. Substitution of existing security given to other Banks may be permitted for justifiable

reasons by the sanctioning authority, provided the realisable value of the security offered is not less than the value of existing security with other banks. Specific approval of sanctioning authority will need to be obtained.

State Bank Group Exposure norms are required to be complied with.
It must be ensured that the cushion is available as per industry exposure norms and the credit rating hurdle rates specified, if any, for the industry segment are complied with.

Audited Balance Sheet (ABS) should not be older than 12 months. If ABS is older than 12 months, provisional financial not older than 6 months are to be obtained and analysed so as to be satisfied that the activity level and profitability, liquidity and solvency ratios are broadly in alignment with the estimates / projections. Important parameters such as Gross / Net Sales, Inventory, Receivables, Sundry Creditors, Unsecured Loans, Conversion of Share Application Money into PUC, additions to Gross Block may be certified by a Chartered Accountant.

Ideally, only such accounts should be targeted for Takeover where the unit is in commercial operations for at least two years (one year in case of Infrastructure projects) and no major green field / brown field project is under implementation.

The unit should have been earning profits for at least 2 preceding years except Infrastructure projects for which it will be 1 year after COD as per the last audited balance sheet and should not be incurring losses during the year as per provisional financial (F above). The outlook for sales and profitability should be positive based on realistic estimates of capacity utilisation and EBIDTA margins as on the date of assessment.

Stock and Receivables Audit is to be conducted prior to disbursement of any credit facilities above Rs.5.00 crores except for units having ECR of "A-" and better.

Enhancements in credit facilities should not exceed 15 % (reduction from 30 %) of the initial amount taken over from the other bank, within 12 months from the date of initial sanction of Takeover. This would need to be discussed and clarified to the prospective borrowers at the time of negotiation for Takeover itself.

Pricing improvement over the existing pricing of other banks should be offered only for accounts meeting rating criterion for Takeover specified in A above.

The deviations, if any, should be approved by the appropriate authority.

Extant instructions

Take over norms would also apply for sanction of loan, which is liquidated before 3 (three) months maintained with other Banks. n. First review of Taken over loans beyond Rs.5 crs. will have to be carried out within 6(six) months and be placed before the appropriate authority.

O. Wherever Credit Rating Agency is changed, ECR is to be obtained from two rating agencies and lower of the two ratings is to be considered

VERIFICATION OF FINANCIALS OF BORROWING ENTITIES

verification and cross checking of major items of Profit & Loss account and Balance Sheet with the regulatory returns, for validation and ensuring their genuineness and acceptability, as detailed below:(Corporate centre Letter ***CPP / MB / Cir / 87 Dt.11.09.15)***

Capital .Increase in Authorised Capital	**Balance Sheet available with ROC e Form SH-7 (Return as per Companies Act, 2013)**
Domestic Sales	**GST Return**
Export Sales	**G R Form / Softex Declaration Form(SDF)**
Purchases	**Credit claimed in the VAT returns**
Receivables	**As detailed in Circular No.CCO / CPPDADV /**
Quantita-	**Tax Audit Report 3CA**
tive details	**(Auditor'sertification of**
of R M / FG / Goo	**3CD)**
Salary and wages expenses	**a.Quarterly statement of TDS on Salary(Form No.24Q) filed with IT Deptt.(b) PF / ESI / PTaxRegisters / Returns**
Interest payment for outside borrowings	**Quarterly statement of TDS (Form No.26Q) filed with ITDeptt.**
Payment to Contractors	**Quarterly statement of TDS for other than Salary filed under Section 194-C(Form No.26Q) with IT Deptt.**
Net Profit	**IT and other related documents submitted to ITDeptt.**
Income received by a service Provider (service industry	**ST-3 return filed with Service Tax authorities**

Pre-Sanction Inspection : Unit / Factory / Plant site / Works Office, Immovable property being offered as collateral security. In case of Factory / Plant site, Registered Office / Works Office is far away from the Branch, the Pre-sanction Inspection can be carried out by the nearest Branch or Loan processing Cell to the satisfaction of the Appraising / Recommending / Sanctioning Official. The Pre-sanction details would be incorporated in the Bank's prescribed format, photograph of the site / works / objects using device, Sketch Map and respective Government site. While doing pre-sanction inspection, due diligence is to be exercised along with local / market enquiry. The physical inspection is to be carried out independently and KYC particulars of the person as evidenced with the Application and KYC documents produced. It may be required to visit the present banker to enquire about the account particulars and ascertain the recorded address at their end.

*Physical verification of the property is to be done as per Annexure "F" of Cir.Sl no.41 / 2013-14 Dt.13.04.2013

Relationship with Present Banker or Existing Facilities

Existing Credit facilities with Terms & conditions including Collaterals.

Conduct of the account -Stock turnover, realisation of book debts

Value of account with break-up of income earned

Action taken on Comments / observations contained in RFIA Reports, Stock Audit, LFAR

Detailed Appraisal

Compilation of Opinion Report and Net means upon the Company, the Borrower / promoter / Key Persons and the proposed Guarantor.

Title verification of the Immovable properties taken as Primary or Collateral to the Loan (SOP Cir.'s No.696 / 2017-18 dt.25.09.17).

Searching CERSAI site is essential to ascertain the prior charges upon the property as security of loan in favour of Banks **/ Financial Institutions**.

In case of Third party property or property located outside of West Bengal, it may be quoted the letter Ref. SMEBU, LHO, KOLKATA LETTER REF NO.SMEBU / AKG / 17-18 / 295 DT.18.01.2018. It has been decided by the Circle Authority that as an abundant precaution NO Fresh Third Party Property or Property Located outside State of West Bengal should be accepted as Collateral Security. Such cases first to be referred to Circle Management Committee for reference. Any deviation in this regard will be viewed seriously by the CMC.

Having received TIR upon the property offered as security to the Bank, it should be read & interpreted clearly about the title of the property owner supported by land documents, other documents issued or dues clearance certificates issued by Govt. or local statutory authority (Municipal / Corporation, Electricity board, Housing Society, Water Supply etc.)

Valuation of the properties is to be done in the prescribed format by the empanelled valuer – vide Cir. Sl No 1227 / 2014-15 Dt.17.01.2015. Regarding valuation of the property ascertained by the valuer, it should be confirmed by the Appraising / Assessing Official by means of declaration, any variation to his / her assumption price should be recorded and taken as the security value . It may need to have two valuations in case of loan limit.

Summarising the conclusions of the analysis of financial statement for the last 3 years and projected financials.

Recording major history of defaults in repayment or unsatisfactory track record.

Position of provision of Tax or Revenues liabilities.

-Production capacity & use: past and projected; Estimated working capital gap with reference to acceptable build up of inventory / receivables / other current assets;

-Projected levels: whether acceptable; Compliance with lending norms and other mandatory guidelines as applicable;
Assessment of fund-based facilities required e.g. Working Capital & SLC under PAT / PBS / Cash Budget method for creation of current assets in the form of stocks, inventories, receivables / bills and meet up the overhead expenditures, Term Loan for acquisition of Fixed Assets or project finance.

Assessment of the requirements of non fund based (off-balance sheet) credit facilities viz., L.C., B.G., etc.

Export / Import credit in the form of preshipment.

Analysis of Balance Sheet & Financial Ratios for drawing CRA, WC & Term Loan Assessment,

Structure of facilities and Terms of sanction:-
Fix terms and conditions for exposures proposed facility wise and overall:
(i)Limit for each facility – sub-limits (ii)Security Primary & Collateral, Guarantee (iii)Margins for each facility as applicable (iv) Rate of interest (v) Rate of commission / exchange / other fees (vi) Repayment terms (vii) Coverage of Loan (without collateral) under CGTMSE (for Manufacturing & Service sector), CGSSI (under SUI), CGFMU (under PMMY, which are not covered under CGTMSE)(ix) ECGC cover where applicable (x) Other standard covenants & Negative Covenants .

Proposal is to be drawn up through LOS & LLM Software.

Assessment & Recommendation
-The draft proposal together with the backup details / notes, and the borrower's application, financial statements and other reports / documents is to be examined by the appraiser. The Inspection of the Unit / Factory / Work site / Office is to be carried out along with the Appraising Officer.

The proposed exposure is to be critically examined by going through the Bank's Loan Policy & other instructions by the Corporate Centre & Local Head Office from time to time, CRMD Guidelines, RBI Guidelines, Government Regulations, Competition, Present economic & industrial scenario along with market demand, Inter-firm comparison, Background of the promoters / senior management.

Balance Sheet & Ratio analysis, Project cost & sources. Break Even analysis, Debt Service, Security Cover, Fund Flow and Cash Flow etc. are to analysed . If any deficiencies are observed, amendment is to be done in discussion with the appraiser on the correct lines.

Credit risk rating and Risk factors of the proposal are to be analyzed and steps proposed to mitigate the risk are to be recorded.

Circle specific instructions in respect of any particular scheme or quantum of limit (e.g. ABL, Transport Loan etc.) is to be looked upon.

Viewing the Projected performance of the borrower vis-à-vis past estimates and performance conclusion on Technical feasibility, Economic viability, financial feasibility and Commercial viability of the proposal is to be drawn upon. The experience and value of the borrowing unit / company is also to be counted upon.

Deviations proposed from the norms of the Bank and justifications thereof, additional inputs / modifications to be incorporated in the proposal, with any required modification to the initial recommendation by the Appraiser.

Interaction with the Borrowing Unit / Guarantor(s) along with the Appraising Official is to be done about the detailed assessment of the proposal / project inclusive of the terms & conditions, security (Primary / collateral), margin and infusion of capital etc.

The Appraising Official is to be advised to draw up the proposal in the final form incorporating therein additions / modifications.

Assessment of Working Capital / SLC, Term Loan (FB) and LC / BG (NFB) as per requirement of the Unit based upon the proposal / project is to be done signed by the Appraising / Assessment Official(s) in the final proposal and to be **put up to Sanctioning Official or Credit Committee as per Delegation of Powers.**

** **Loan proposals falling under the limit Rs.50 lacs**

Besides, Assessment Official, proposal is to be assessed by the 1st Assessment Official (Branch Head), Simplified Risk Assessment and 2nd Assesment is to be done by the designated official.(Cir. Sl No. CCO / CPPDADV / 166 / 2018-19 Dt.08.02.2019

SANCTION

The proposal is to be perused in a comprehensive manner, if any critical information is omitted; the proposal is to be referred to the Assessment official to put the required data / clarification.

-Sanctioning Authority is expected to examine critically the following aspects of the proposed exposure taking into confidence: Bank's lending policy and other relevant guidelines, RBI guidelines, Borrower's status in the industry / Trade, Iindustry / Trade prospects**,** Experience of the Bank with other units in similar Trade / industry.

Sanction is accorded to the proposal on the terms proposed or by stipulating modified or additional conditions / safeguards and put up to Control or **Defer decision** on the proposal and return it for additional data / clarifications, or **Reject** the proposal, if it is not acceptable, setting out the reasons therefore.

FINANCIAL STATEMENT AND RATIO ANALYSIS

Financial Statement comprised of Balance Sheet & Operating Statement of a Unit / Firm / Company on a particular date as at the end of the Financial Year. Analysis of Balance Sheet :

Balance Sheet has two components:

Liabilities (Credit balance) represents source of fund:

Capital – Fund brought by the Promoter to the activity or business Reserves It represents earnings, receipts and other Surplus kept aside for general or specific purpose.

Surplus – It represents the credit balance in the Profit & Loss Account (P&L)

Sundry Creditor – Trade creditor against receipt of materials & expenses
Advance Payment Received from Buyers, Unclaimed Dividends

Provision – It is carved out of P & L Appropriation account for payment of known liability.

Un-secured Loan – Temporary loan from Friends & Relatives to create current assets.

Secured Loan – Debenture issued by Company, Loan from Banks & Financial Institution against security (Primary / collateral), other secured loan.

Current Liabilities (CL) – Liabilities which are repayable within a period 12 months from the date of balance sheet. It includes Sundry creditor, Provisions, Interest & Instalment of Term Loan instalment payable within one year, Bank Loan, Advance payment from customers, Un-secured loan, other statutory liabilities payable within one year.

Term Liabilities (TL) – The Liabilities which are payable after 12 months from balance sheet date. It includes Term Loan

and Debentures payable after 12 months.
Total Outside Liabilities (TOL)= CL + TL
Net Worth / Equity = Capital + Reserves + Surplus; TNW (Net worthIntangible Assets) Assets (Application of Funds)

Fixed Assets (FA) – The assets which are used for production or Trading over a long run. It includes : Land & building, Furniture & Fixtures, Plant & Machineries etc.

Investment – Surplus money invested in securities, shares in real estates, subsidiary company etc.

Sundry Debtors (Book-debt), Receivables – Amount receivable out of Trades & Activities.

Inventories (Stocks) – Stocks of Finished Goods, raw materials, spares etc.

Cash & Bank Balance:
Fictitious / Intangible Assets – Preliminary / Pre-operative expenses, Good-will, Patents, Trademarks, Debit balance in P&L Account.

Current Asset – The Assets which are used in production or process and can be converted into cash within a period of operating cycle, maximum one year. It includes cash / bank balance, Inventories, Sundry Debtors / Book-debts / Receivables, Investment in marketable securities, Advance payment of Tax, Advance payment to supplier, Interest accrued on Investment etc.

Non-Current Assets (NCA) – It includes Book debts outstanding for more than six months, non-consumable stores, Investment in subsidiary etc.

*** Net Working Capital: Long Term Sources (TL + Equity) – Long Term Uses (FA + NCA) or Current Assets – Current Liabilities.*

RATIO ANALYSIS:
Ratios can be classified into (i) Liquidity Ratio (ii) Leverage Ratio (iii) Turn over Ratio (iv) Profitability Ratio (vi) Coverage Ratio.

Liquidity Ratio :
Current Ratio – Current Assets / Current Liabilities

It measures the liquidity of the Unit / Firm / Company to meet current liabilities. It shows the extent of Net working Capital (NWC) provided from Long Term Sources. A healthy current ratio indicates higher margin to support Bank borrowings. Bank's benchmark is more than 1(It ranges from 1.20 to 1.33).

Quick Ratio / Acid Test Ratio – It is ratio of Quick Assets to Current Liabilities. Quick Asset is current assets less inventories . This ratio is better indicative to Liquidity. The ratio 1:1 is usually considered favourable.

Leverage Ratio Leverage ratio refers to the use of Debt fund, the use of Debt fund should be prudent to earn income without excessive risk.

Funded Debt – Equity Ratio: Long Term liabilities / TNW

The indicative ratio is 2:1, a low ratio shows that the lender's fund is more secured.

It is the ratio of Total outside Liabilities(TOL) / Tangible Net worth (TNW).

Higher ratio indicates increased dependence on borrowings and other liabilities. A ratio of 3 and below is considered very healthy, while a ratio above 7 is considered risky.

Proprietory Ratio : Proprietor's Fund / Total Assets. Higher the ratio, the larger cushion available towards creditors' fund.

Turnover Ratio : It is also termed as Activity Ratio and indicates the efficiency of the Unit / Firm / Company. Major Turnover ratios :

Inventory Turnover Ratio – Cost of sales / Average Inventory. Cost of sales is the net sales less gross profit, Average inventory is the average of opening and closing inventory. Higher Turnover ratio means more efficient working capital management. However, a very high ratio results from low level of inventory i.e. working capital shortage.

Debtors Turnover Ratio: Credit sales / Average Debtors. It shows the efficiency of credit operation.

Assets Turnover ratio : It relates Assets to net sales, it measures sales per rupee of investment or the efficiency of utilization.

Profitability Ratio : (a) Gross Profit / Net sales (b) Net Profit / Net Sales (Sales –cost of sales (c)Return on Equity (ROE): Equity earnings(Net profit less Dividend etc.) / Net worth. It reflects the profitability of owner's capital. (d) Return on Assets : Net Profit / Total assets (Average of opening and closing Tangible assets). It takes the decisions of investment on activity. (e) Return on Capital Employed (ROCE) : PBDIT / Total Assets – It indicates Return on capital / Investment.

Coverage Ratio

InterestCoverage Ratio – PBDIT / Interest Expenses. It is the ratio of PBDIT and Interest charges. PBDIT is the earnings before Depreciation, Interest and Tax. Interest includes interest charged on all types of loan e.g. WC, TL etc.The ratio shows how many times PBDIT covers interest charged on loan accounts and measures the comfort ability towards lender regarding availability of cash accruals to service interest. A ratio of more than 3 is considered comfortable, whereas a ratio of 4 will fetch maximum scores. A ratio of 2 and below is considered risky.

Debt –Service Coverage Ratio(DSCR) : It explains the relationship between funds accrual to service the Term Liabilities. It is bifurcated into :

Net DSCR – Net Profit + Depreciation + other non-cash expenses / Term Loan instalment due within one year.

Gross DSCR – Gross DSCR is the ratio of net cash accrual and TL Instalment plus TL Interest. Net profit + Depreciation + non-cash expenses + Interest on Term Loan / TL Instalment.

Net DSCR (2:1), Gross DSCR(1.75:1) are considered standard measure for TL Assessment. Higher ratio is more safe towards TL repayment.

Holding Period

Holding period means the number of days (annual or 365 days). The Holding periods are :

RM Holding period = RM Stock / (Annual consumption / 365)

SIP Holding period = SIP / (Cost of Production / 365)

Finished Goods Holding period = FG / (Cost of Sales / 365)

Average Debtors Collection period = Debtors / (Annual Credit sales / 365)

The above ratios are used for assessment of working capital and the figures Inventories are taken as at closing levels.

Funds Flow Statement

It reflects the changes in financial data of the balance sheet of two periods. In a balance sheet, the liabilities are sources of funds and the Assets are uses of funds. The sources of funds always equals of uses of funds. The analysis of two balances is done to view the operation of unit :

Sources of Funds – Increase of liabilities + Decrease in Assets

Short Term Sources : Increase in CL + Decrease in CA

Long Term Sources : Increase in TNW + Increase in TL + Decrease in FA + Decrease in Non-current Assets(NCA) + Intangible Assets.

Total Source of Funds = a+b

Uses of Fund Increase of Assets + Decrease in Liabilities

Short Term Uses : Increase in CA + Decrease in CL

Long Term Uses: Increase in FA + Increase in NCA + Increase + Intangible Assets +Decrease in TNW + Decrease in TL.

Total Uses = c + d

From Lenders point of view, Long Term Sources will meet the Long Term Uses and leaves an amount to meet NWC for healthy operation, which is called Long Term surplus. In case, Long Term Sources falls short to meet Uses, during a particular period, the situation is termed as Long Term deficit, resulting in diversion of Short Term funds and decrease in NWC.

Cash Flow Statement

Cash Flow statement provides information about the cash receipts and cash payments of an Unit / Firm / Company for a given period. Here, cash comprises (i) cash on hand and Demand Deposits in Bank and Cash equivalent i.e. short-term liquid investments with insignificant risk e.g. Treasury Bills etc. Cash Flow represents Cash Inflow and Cash outflow during the period.

Cash Flow statement is drawn from (i) Operational activities i.e. the principal revenue producing activities of the enterprises. (ii) Investing activities, by acquisition and disposal of long term assets and other investments (not included in cash equivalent) Financing activities, results from changes in the size and composition of the owner's capital and borrowings of the enterprises.

The computation from activities will present the net increase / decrease in cash / cash equivalents. This should agree with the actual change in position of cash and cash equivalents between the two balance sheets.
Cash Flow statement provides an analytical tool to the lender to determing the unit's ability in cash management, financial management and to meet its obligations in future periods.

FINANCIAL PARAMETERS AND MINIMUM SCORES IN FINANCIAL RISK, BUSINESS RISK AND MARKET RISK UNDER CRA(Cir.Sl No.22 / 2017-18 Dt.03.04.2017.

Applicable to Manufacturing segment

Ratio	Desired	Acceptable
Current Ratio	=>1.33	=>1.00(min)
TOL / Adj.TNW	<=4.00	<=5.00(max)
Long Term Debt / EBITDA	<=3.60	<=4.50(max)
Interest Coverage Ratio	>=2.60	>=2.00(min)
DSCR	>=1.50	>=1.20(min)
FACR	1.25	1.25

Applicable to Trade and Services segment

Current Ratio	**=>1.20**	**=>1.00(min)**
TOL / Adj.TNW	**<=5.00**	**<=7.00(max)**
Long Term Debt / EBITDA	**<=4.00**	**<=6.00(max)**
Interest Coverage Ratio	**>=2.60**	**>=2.00(min)**
DSCR	**>=1.50**	**>=1.20(min)**
FACR	**1.25**	**1.25**

While these are indicative levels, there cannot be a definite benchmark, as acceptable levels are case specific, guided by the nature, size and scope of projects and activities. The sanctioning authority considers variations from these levels based on the justifications placed before them; no specific approval is required for divergence between the acceptable level and the actuals.

Where a unit has not obtained minimum scores in Financial Risk (FR), Business & Industry Risk (BR) and Management Risk (MR) under CRA, separate approval is not required to be sought.

However, in case any variance from the desired / acceptable levels of quantitative parameters and minimum scores in FR / BR / MR under CRA are to be discussed in the loan proposal and justifications / mitigation are to be placed before the sanctioning authority for taking informed decision.

However, in respect of eleven specific industries viz. Hydrocarbon, Power, Iron &Steel, Textiles and Electrical Equipment, Telecom, Construction, Aluminium, Food Processing, Real Estate and Fertilisers where the Bank has exposure of Rs.10,000 crores (FB+NFB) and above, separate sets of benchmarks for financial parameters have been set. *(Ref. E Cir.No.CCO / CPPDADV / 53 / 2016-17 dated 18 / 07 / 2016).*

In case there is any variation from the acceptable level and the actuals, necessary approval is required to be sought from the appropriate authority.

Break Even Point (BEP)
Break even point is defined to be that level of production & sales where the Company encounters a no profit / no loss situation. BEP thus represents that particular level of production where the total manufacturing / Project costs is equal to sales revenue.

BEP is to be calculated for the first full year of commercial production and the year of maximum capacity utilization during the repayment period.

FC Those expenses which are independent of the level of production / sales. (A small percentage of : (power & fuel, wages & salaries, factory overheads), Depreciation, Interest on Term Loan, Administrative Expenses

VC Those expenses which vary according to the level of production and sales. As the production and sales increase, the variable costs also go up. Raw Material Cost, Packing Materials, Power & Fuel, Factory Labor, Manufacturing Expenses, Costs towards consumable stores & spares, Repairs & Maintenance.

Contribution : Sales – Variable Cost
BEP = FC (semi-fixed cost) / Contribution *100
Break Even Sales = Fixed & Semi Fixed Costs ---------- x Sales X 100
Contribution
Break Even at Fixed & Semi Fixed Costs Installed Capacity
-------------------- x Capacity Utilization x 100
Contribution
Break even at installed capacity (i) 51-65 % Low Risk (ii) 65 – 70% Medium Risk (iii) 71 – 85% High Risk (iv) More than 85% Very high risk range

Margin of Safety (MOS) is the cushion available to the project before it starts defaulting on its repayment commitment.
Lower the BEP, the higher the Margin of Safety.

(If the BEP is 30%, then Margin of Safety is 70%. Sensitivity Analysis (CPV – Cost, Price and Volume)

It is an exercise to examine the sustainability of the project in relation to the adverse changes in prices in ranges between 5% 15%. This is done to ascertain the resilience of the project to adverse variations in cost & Sales.

Variations : Variable Costs, Volume of Sales and Selling Price Span of resilience due to adverse change of variations at (i) 15% High (ii) at 10% Medium (iii) at 5% Low.

A High span of resilience provides more comfort to the lending Banker.

Security Margin Coverage Ratio : WDV OF FIXED ASSETS-TL DUES / WDV OF FIXED ASSETS

The written Down value of Fixed Assets should not be less than Fixed Assets. If the SMCR deteriorates below 30% in any of the years, it would reflect that repayment schedule has not been adhered to and a default has been committed by the borrower. In this case the credit officer has to take proactive action in order to maintain asset quality.

Profit & Loss Account (P&L Account)

The Profit & Loss Account is drawn under the stages :

Net Sales (Gross Sales less Excise duties and other discount)

Cost of Sales (Cost of production + Cost of goods sold)

Operating Profit : It is derived in stages –

Gross Profit – Net Sales – Cost of Sales

Operating Profit before Interest – Gross Profit less selling, administrative and business expenses.

Operating Profit after Interest – Operating profit before interest less Interest expense(Interest on bank loan & other borrowed funds.

Net Profit – It is derived as Net Profit before Tax (PBT), Net profit after Tax(PAT)

Credit Risk Assessment(CRA)

CRA applies to all accounts with aggregate exposure (FB+NFB) of Rs. 50.00 lacs and above (except P segment advances). Scoring models for all exposures below Rs.50 lacs

Risk rating is made on a matrix of various parameters, e.g. financial risk, business and industry risk, management risk, country risk, qualitative parameters etc. which are assigned scores based on the risk perception.

A borrower should necessarily cross the Hurdle Scores provided under these risks.

Separate CRA models are provided for Trading Sector and Non-Trading Sector Simplified Model for exposure limit upto Rs.5 Crs. and Regular model for exposure limit above Rs.5 Crs.

Exposure upto Rs. 5 Crs. attracts Borrower's Rating, Above Rs 5 Crs. facility wise rating applicable.

CRA models have 16 grades. Based on the CRA score, risk rating is awarded to the Borrower (SB-1 to SB-15), SB 16 is the rating awarded to NPA by Default. Facility Rating has grades from FR-1 to FR-16.

SB-10 is the Hurdle Rate . It is mandoy to have ECR for Borrowing Units having exposures above Rs.50 crs from any of the accredited Credit Agencies (CRISIL, ICRA, SMERA, India Ratings, FITCH, S&P etc.)

Borrowers enjoying exposures of Limit Rs.50 crs & below with ECR are given concessionary pricing and is awarded to BBB& above .

Country risk rating applies to borrowers having 25% or more assets / cash flows outside India.

Working Capital Assessment

Working capital is the capital or fund required by a firm / an industrial enterprise to carry out its day-to-day operations.These funds are held by way of assets (raw materials, finished goods etc.) which are turned over during the ordinary course of the business.

It refers to (i) Gross working capital – The constituents of gross working capital are (a) Inventories (i.e. raw materials, consumables, stocks in process and finished goods), (b) Sundry debtors or receivables (c)Cash and bank balances (d) Investments and (e) Loans and advances.

Net working capital It refers to the net amount of funds required for operations, i.e. current assets less current liabilities.

For a banker, the assessment of working capital involves two stages: (i) ascertaining the total requirement of funds for the operations of the firm and (ii) ascertaining the amount of bank finance required out of the total requirement.

The assessment of working capital is done under :

PROJECTED ANNUAL TURNOVER (PAT) METHOD

(NAYAK COMMITTEE METHOD)

Nayak committee, in order to augment credit flow to SSI / SME sector, simplified the working capital assessment procedure. It is found that SSI units generally have working capital cycle of 3 months, i.e. 4 times turnover during a year. Their working capital requirement was, therefore, stipulated at 25% of the anticipated annual turnover. Out of the same, banks are expected to finance minimum 80% and the unit is expected to bring a minimum margin of 20%.

In relation to turnover, bank finance works out to 20% (i.e. 80% of 25%) and margin works out to 5% (I.e.20% of 25%).

Drawing Power (DP) should be allowed on actual assets are held less unpaid stocks

(ii) If the operating cycle is more than 3 months, higher limit should be sanctioned with matching margin

A	**Projected Annual Turnover**	-	120.00
B	**WC required**	25% of A	30.00
C	**Min. Margin from borrower**	20% of B	6.00
D	**Min. Bank Borrowing**	80% of B	24.00
E	**Actual NWC available**	-	5.00
F	**Margin stipulated**	Higher of C or E	6.00
G	**Limit permissible**	B – F	24.00

BANK BORROWING : NET WORKING CAPITAL = 4 : 1

Projected Balance Method (PBS)

Under the PBS method, the fund requirement is computed on the basis of borrower's projected balance sheet, the fund flow planned for the current / following year and examination of the profitability and financial parameters etc. The key determinants for the limit can, inter-alia, be the extent of financing support required by the borrower and the acceptability of the borrower's overall financial position including the projected level of liquidity. The projected Bank borrowing thus arrived are engaged in manufacturing, services and at, is termed 'Assessed Bank Finance' (ABF). This method is applicable for borrowers who trading activities and who require fund based working capital (WC) finance of above Rs.5 crores or equivalent.

The assessment of working capital requirement and permissible bank finance are made over a few stages:

collection of information re-classification of current assets and current Liabilities verification of projected level of current assets and other current liabilities evaluation of available liquidity validation of bank finance sought

COMPUTATION OF ABF					
COMPANY: ABC					
	Year(Act)	Year(Act)	Year(Act)	Year	Year
Total current Asset (TCA)					
Other Current Liabilities (other than Bank Borrowings)					
Working Capital Gap					
Actual / projected NWC					
Assessed Bank Finance (ABF)					
NWC to TCA (%)					
Bank Finance to TCA (%)					
Sundry Creditors to TCA (%)					
Other CL to TCA (%)					
Inventory to Net Sales (days)					
Receivables to Gross Sales (days)					
Sundry Creditors to Purchases(days)					

(Rs. in lacs)

CASH BUDGET METHOD

Cash Budget method is used for assessing working capital finance for seasonal industries like sugar, tea and construction activity. This method is also used for sanction of ad-hoc WC limits. In these cases, the required finance is quantified from the projected cash flows, and not from the projected values of current assets and current liabilities. Other aspects of assessment like examination of funds flow, profitability, financial parameters etc., are also carried out.

PARTICULARS	JAN	FEB	MAR	APR	MAY	JUN
Sales	1.00	1.00	1.00	1.20	1.20	1.20
Cash Sales	0.20	0.20	0.20	0.24	0.24	0.24
Credit Sales	0.80	0.80	0.80	0.96	0.96	0.96
RECEIPTS / CASH INFLOWS:						
Realisations : 2 months old	0.40	0.40	0.40	0.40	0.40	0.48
Realisations : 1 month old	0.40	0.40	0.40	0.40	0.48	0.48
Cash Realisations	0.20	0.20	0.20	0.24	0.24	0.24
Other income						0.02
T / L, F / D raised						
Other sources			0.05			
TOTAL CASH INFLOWS	**1.00**	**1.00**	**1.05**	**1.04**	**1.12**	**1.22**
PAYMENTS / CASH OUTFLOWS:						
Credit Purchases	0.40	0.40	0.48	0.48	0.48	0.48
Misc. Purchases	0.02	0.02	0.02	0.02	0.02	0.02

Mfg. Expenses	0.35	0.35	0.35	0.35	0.35	0.35
Selling Expenses	0.10	0.10	0.10	0.10	0.10	0.10
Interest on WCL	0.01	0.01	0.01	0.01	0.01	0.01
Loan repayments						
Capital Expenses			0.50			
Dividend						0.20
Tax						0.20
TOTAL CASH OUTFLOWS	**0.88**	**0.88**	**1.38**	**0.96**	**0.96**	**1.36**
Opening Cash Balance	0.22	0.50	0.50	0.50	0.50	0.50
Add: Total Receipts	1.00	1.00	1.05	1.04	1.12	1.22
Less : Total Payments	0.88	0.88	1.38	0.96	0.96	1.36
Less : Closing Balance	0.50	0.50	0.50	0.50	0.50	0.50
Surplus / Deficit	(0.16)	0.12	(0.33)	0.08	0.16	(0.14)
CUMULATIVE DEFICIT / LIMIT REQUIRED	**(0.16)**	**(0.04)**	**(0.37)**	**(0.29)**	**(0.13)**	**(0.27)**
MAX. LIMIT REQUIRED			0.37			

Project Vivek Method

This is applicable for all eligible SME proposals up to Rs. 50 Cr in R&DBG. SME loan proposals eligible under Project Vivek shall be processed in LOS or LLMS. CUE is a new Risk Rating model for computing borrower rating on the basis of PD (Probability of Default). All credit decisions, limit assessment and pricing are to be based on the CUE rating wherever applicable. The CUE Rating Scale (CUE1 to CUE 15) has been mapped to existing CRA rating scale (SB1 to SB 15) one-toone. Guidelines in this regard have been put in place.

Term Loan Assessment

Term Loan is an advance for a specified term (of not less than 3 years) for (a) acquisition of fixed assets (Land & building, Plant & Machineries, Furniture & Fixture), Repairs & Modernisation, (c) Strengthening NWC (d) Long term requirement like implementation VRS (e) replacement of high cost Debt by a Borrowing Unit / Firm / Company repayable over a period. The Fixed Assets are long term application in a unit for the production process / Trading of goods. Normally, the average maturity of any term loan, including moratorium, should not exceed 10 years, except loans under Rehabilitation / Core Industry / Infrastructure / Renewable Energy Projects / Securitization of Rent and Toll Receivables.

Appraisal of a project involves the examination of :

Acceptability – The project / proposal should conform to the RBI Guidelines, Govt. of India Regulation, Bank's Loan Policy guidelines, Borrwing powers of the Unit, Environmental regulations etc.

Technical Feasibility - It consists of an assessment of the various requirements of the actual production process. It is in short a study of the availability, cost, quality and accessibility of all the factors required for production and completion of the project.

Economic Viability - To determine the conduciveness of economic parameters for setting up the project and their impact on the scale of operations.

Factors to be considered are: Market analysis, Present trends of Supply & Demand, forecast, Competition, Pricing, Selling Agency etc.

The proposal or projections would be examined in relation to the activity of the existing similar units and the uncertainties would be taken into account.

Financial Feasibility – It refers to the cost of project / proposal and Means of Finance. Cost of the Project includes: Land (Including site development), Building, Plant & Machinery, Other Fixed Assets, Technical Know-How fees, Power connection & installation charge, Preliminary / Preoperative expenses, Margin on WC etc.

Means of Finance : Capital from promoters / other shareholders, Debentures, Unsecured Loans, Deposits, Loans from friends and relatives, Term Loans from

Banks & FIs, Government subsidies (It invariably comes late), Internal accruals (Existing Companies).

Commercial Viability -To determine the extent of profitability of the project ,Validating the profitability estimates,Estimating the repayment capacity (Primarily through Average DSCR over repayment period, Sensitivity Analysis,Break Even Analysis, Security Margin Coverage Ratio.

Managerial Competency : Competence and Experience of the Management. Experience and Qualifications of key management personnel, Integrity, Track record, Credit worthiness, Past Track Record in timely implementation etc.

Other Parameters :
Implementation schedule to be outlined, Collateral Security Cover

LETTER OF CREDIT
A Letter of Credit is an arrangement whereby a bank (i.e. the LC issuing bank), at the request of its customer(i.e. the applicant for LC) undertakes to make payment to the third party (i.e. the beneficiary) / accept biil of exchange, provided the terms and conditions of LC are complied with. The issuing bank may issue LC either at the request of its customer or its own behalf. The bank may make payment or accept / pay bill of exchange or instruct another bank to make payment / accept or pay bill of exchange / negotiate documents on its behalf. Thus, LC is an arrangement where the seller dispatches the goods to the buyer relying on the LC issued by the Bank and, thus, being assured of its eventual payment.

Parties to LC Transaction: (i) the Applicant: the buyer who requests the bank to issue an LC (ii) the Issuing Bank: the bank which issues the LC

the Beneficiary: the seller in whose favour the LC is issued (iv) the Advising Bank: the bank that advises the LC after confirming its authenticity (v) the Confirming Bank: the bank which adds its confirmation to the LC(vi). the Negotiating Bank: the bank which negotiates the documents
(vii) the Reimbursing Bank: the bank that reimburses the LC amount to the negotiating bank and obtains fund from the Issuing Bank.

BANK GUARANTEE
Bank Guarantee is a contract to perform the promise or to discharge the liability of a third person in case of default. Bank guarantees are of two types: Financial Guarantees and Performance Guarantees. Financial guarantees are the guarantees relating to trade and other transactions where the guarantee amount is linked to the value of transaction. Performance Guarantees are the guarantees relating to performance of contracts where the guarantee amount is linked to consequential losses arising out of non-performance. The latter depends on the technical skill and capability of the party executing the contract.

Bank Guarantees are commonly sought for the following purposes:

Security deposit with customs, electricity boards etc and earnest money deposit for participating in tenders

Mobilization advance or advance money paid by the employer to the contractor for execution of project

Retention money as a small part of the payment made towards job completed but pending verification

Supply of Raw materials / advance payments

Performance of a job contract awarded

Bid bonds for participating in bids

Export performance guarantees for clearance of capital goods with concession in import duty.

Assessment of bank guarantee limit is in line with the Fund based limit.

DOCUMENTATION

General Guidelines:

Documents will be generated through SME LOS software.

Principal Documents are : Arrangement Letter(SME 1), Agreement of Loan cum Hypothecation (SME-2), Letter for Details of acquisition of Assets(SME-2A), SME – Guarantee Agreement(SME-3), Supplemental Agreement of Loan cum Hypothecation (SME-4) for enhancement of existing limit, Memorandum for recording creation of mortgage by Deposit of Title Deeds(SME-5), Letter of confirmation for creation of mortgage by Deposit of Title Deeds(SME-6), Memorandum for recording extension of mortgage by deposit of title deeds(SME-7), Letter of confirmation for extension of mortgage by deposit of title deeds(SME-8), Revival Letter for Revival of Loan Documents(SME-11).

Supplementary Documents:

The Supplementary Documents to be obtained for the Enhanced Aggregate Limit as under:

Agg.Limit originally sanctioned	Subsequent enhancement Limit	Initial Documents	Supplemental documents
Rs.10 lacs	Rs. 5 lacs	SME --1 Rs.10 lacs SME – 2 Rs.10 lacs SME – 2A * nil SME – 3@ Rs.10 lacs	SME – 1 Rs.5 lacs SME – 4 Rs.5 lacs SME – 3@ Rs.15 lacs

Particulars of vehicle(s), Machineries

@ Where Guarantee is obtained.

Equitable Mortgage (EM)

Documentation Officer will peruse the Documents:

a. Title Documents in original (Title Deeds,

Probated Will, Succession Certificate, Court Order, Patta Documents by Government Authorities, Lease Deeds with clause of EM in favour of Bank / FI) in favour of the Mortgagor / Land owner, Chain Deeds as per Flow of Title (b) Mutation Certificate in the name of the Mortgagor
Sanctioned Plan by Corporation / Municipality / Panchayet (in case of and Factory Land (Non-Agricultural)* EM on land classified as : Agricultural,'Bagan', Water tank is not SARFAESI compliant. (e) Tax Receipts (f) Title Verification Report furnished by Bank's empanelled Advocate.
(g) All other documents as mentioned by the Advocate as necessary for creation of EM.(h) Valuation report by the empanelled Valuer. (i) Property Visit Report by the designated Branch Official. (j) In case of the property is owned by the Company : ROC search Report to examine the prior encumbrance upon the property. Board Resolution to create mortgage, authorising Director to execute mortgage, Fixing Common Seal of the Company on Confirmatory Letter. (k) CERSAI Report to check the prior mortgage in favour of other Financial Institution .

The EM creation process are as follows :
-Recital or creation of Mortgage is to be done at the Branch in the Notified Centre (Notified Centre is published by the State Govt.).

Mortgagor / Title owner or the authorised representative on behalf of the person or Company should be present physically at the centre for creation of EM .

For the initial mortgage, SME – 5 (Memorandum for recording of mortgage) would be signed by Branch Officials, SME – 6 (Letter of Confirmation for creation of mortgage) would be signed by the Mortgagor / authorised representative.

For Extension of mortgage or Addition / reduction of limit on the same property, SME – 7 would be signed by the branch official and SME -8 (Letter of confirmation) would be signed by the Mortgagor or authorised representative.

Modification of Charge on Immovable Property for enhancement of limit / other facility and Hypothecation of Charge also be noted in CERSAI web portal :www.cersai.org.in (e-Circular No.CCO / CPPD-SARFAESI A / 34 / 201617 DT.24.05.2016).

Letter of Confirmation (SME -5 / SME -7) executed by Mortgagor would be dispatched by Registered post at the address of the Mortgagee Branch / Cell on subsequent date.

Memorandum of Mortgage would be recorded in Title Deed Register(Recital Register) on the date of EM.
The Document Execution Officer may also inspect the property intended to be mortgaged.

The Title Documents along with the papers / documents as mentioned above (atok) are to be kept in separate folder of the borrowing Unit(mentioning the Folio no. of Title Deed Register) in Fire proof cabinet.

Signature & Registration of Documents

Documents covered under the Indian Stamp Act 1899, should always be stamped before or at the time of execution.

Writing name of the executants across the face of the stamp is considered as sufficient cancellation.

In respect of printed stamp papers the purchaser's name, date and the serial number is written on the reverse .

The purchaser's name should correspond to one of the parties to the agreement and should be used within a stipulated time period.

Cancellation

Cancellation substantiates proof that the documents were adequately stamped at the time of execution.

Stamps affixed on D.P. Notes and Balance Confirmations must be cancelled in such a way that part of the executants' signature appears on such stamps, along with the actual date of signing and partly outside the stamp.

In respect of high value import / export bills where adhesive / special adhesive stamps are pasted in sheet(s) of paper annexed to the document, apart from cancelling the stamps, in sketch pen, the names of the parties, amount of the bill and date of cancellation should be written and signed by an official of the Bank.

In case of printed non-judicial stamps, the cancellation is done by signing all pages by the executant(s).

The special adhesive stamps on documents should be cancelled by the Branch Manager only at the time of affixing the stamps by putting the Branch round stamp and the date of execution of the documents.

UN-STAMPED / UNDER-STAMPED

A document executed on impressed value of lesser amount than required, even though attached with another blank impressed papers to cover up the deficiency will not be considered as duly stamped until and unless all such papers are signed by the executant(s).

If a stamp other than that specified in the Stamp Rules is used, the instrument is deemed to be un-stamped / under-stamped.

All documents,which were not duly stamped and in-admissible as evidence unless the duty and penalty have been paid as provided in Sec 35 of Indian Stamp Act.

Value of Stamps (Refer to SBI Times LAW Deptt.site of LHO)

SME – 1 Rs.10 / -, SME – 2 Rs.120 / (SME – 2A nil), SME – 3 Rs.60 / -

SME – 4 Rs.20 / -, SME – 5 to SME – 8 nil,

SME -11 (Revival Letter) – Rs.1 / -Revenue stamp

Balance Confirmation – Rs.1 / - Revenue

They must be executed in the proper capacity(eg. Proporietor, Partner, Director, Karta etc.)

When two or more sheets of stamp papers are used, a portion of the document should be written on each of them, lest the instrument should be deemed as unstamped / under-stamped.

Page numbers should start with the stamp paper(s).

The documents should be correctly filled in.

The blank spaces meant for important details, if remain as not filled in, will render the document invalid, such insertions in pen should further be authenticated in the margin by the executants.

Similarly, alternate clauses, if any, should be deleted, under authentication by the executants.

Unless specifically provided for, however, no document should be witnessed / attested.

Documents should be typed or handwritten.

Documents should be filled in neatly with a standard brand of indelible ink.

Documents should be executed in presence of an officer responsible for obtaining them, who should be able to identify the executant(s) personally.

Documentation should be completed in one sitting, in the same ink and same handwriting.

Executants should sign in full and in the same style throughout all the documents.

If he / she / they sign(s)in left hand, a small note should be annexed to the documents recording the fact of signing in left hand.

Where the number of executants(s) is more (e.g. firm)their name(s) in capital letters should be written on the last page of the document below their signature(s).

All types of additions, deletions, alterations, cuttings, overwritings etc. must be authenticated by the executants(s) under his / her / their full signature(s).

Date & Place of execution should be mentioned.

Where the two executant(s) are signing a document at different places and / or different dates, the fact of doing so and the correct date and place must be mentioned by them in their own handwriting.

Signature of the executant(s) should be obtained on each page, on page(s) facing each other and also across the fold of the document, in such a manner that the signature runs on both the pages.

Signature(s) should be obtained at the end of the loan agreement forms and also at the end of the schedule(s) of securities / additional clauses appended, if any.

Documents should be in accordance with the letter of Arrangement.

Duplicate copy of the loan agreement / document / Arrangement Letter should be handed over to the borrower / guarantor with due acknowledgement (to be retained with loan document).

When the documents are to be executed by the Partnership concern, it should be ensured that all the partners execute the documents on behalf of the firm.

When the Power of Attorney (P.A.) holder executes the documents, the Power of Attorney should be perused to ensure that the person giving the Power of Attorney has properly executed the Power of Attorney. The powers so given under the Power of Attorney should be verified to ensure that it contains the necessary power to execute the particular document.

Certain documents such as Will, mortgages (other than Equitable mortgage) etc. are

required to be witnessed by 2 persons. Failing this, such documents will not be admitted in evidence.
Marking of Lien on Deposits (TD / STD) and execution of Documents for Lien, Pledge on NSC, and Assignment of Insurance Policy in the books of the concerned offices. Recording in Safe-custody and Securities Ledger.

ILLITERATE BORROWERS

The contents of documents should be explained to him / her in the language he / she understands.
A Thumb impression witness letter should be obtained, which would be signed by an independent witness.
-The LTI / RTI is to be obtained on each page of the loan documents.

JOINT BORROWERS

Every one of the Joint borrowers should join the execution of the documents.
In the case of Joint Hindu Family all the documents with the exception of Joint Hindu Family Letter should be executed in representative capacity
i.e. For...

The Joint Hindu Family Letter should be executed in individual capacity.
The Loan documents should be signed by the Karta and all major co-parceners of a Joint Hindu Family.

LIMITED COMPANY

Documents are to be in accordance with the Board Resolution.
Appropriate Resolutions for availment of the loan and execution of the documents are to be passed in accordance with the Articles of Association.

Documents can be executed by a Limited Company in the following manner;

By affixing Common Seal under a Resolution of the Board of Directors and in accordance with the Articles of Association of the Company. The Common Seal is the official signature of the Company OR under the signature of a person(s) duly authorized by a Resolution if the Articles of Association so provides OR by a Power of Attorney holder under the power granted by the Company. Such Power of Attorney is by necessity required to be executed under the common seal of the Company pursuant to a Board Resolution.

The Documents must be executed by the Directors who are duly authorized by the Board Resolutions for and on behalf of the Company and always in a representative capacity.

ATTESTATION & WITNESS OF DOCUMENTS

(I) Mortgage Deed (ii) Power of Attorney

Conveyance Deed

Full name & address of the witness should be obtained on the documents along with the signatures.

RENEWAL / REVIVAL OF DOCUMENTS

Within the limitation period, revival letters in the proper format are to be obtained,

which should also be stamped as recorded.
When the revival letter / confirmation of balance or other security documents are obtained subsequently, the signatures of the executants are to be verified with the signatures in the original documents to ensure that the borrower has not changed the style of signing.

Annual Debit balance confirmations should be obtained, which is to be stamped as an acknowledgement.

A document can be revived or its limitation period can be extended by:
Renewal of Document / Part payment / obtaining acknowledgement of debt.

Law of Limitation bars remedy but does not extinguish the right to file a suit in case of default.

The period of limitation would begin to run from the date of execution of documents.

It is advisable to diarise to obtain the 'Revival Letter' on & from 2 yrs 3 months from the date of document, so that it can be obtained or legal action can be taken within the limitation period.

For Demand Loan / Term Loan in Personal segment & Agri Term Loan, Limitation period starts from the date of default of loan instalment. (Demand Loan / Term Loan Default Register is to be maintained).

In case of Term Loan in C&I / SME segment, Term Loan Agreement contains a clause that in case of any instalment is defaulted, the whole amount would become payable on demand; as it is not possible to keep on track, it is advisable to obtain Revival letter as usual.

In the case of Guarantor, Limitation Period starts from the date of invocation of guarantee or when a demand is made on the guarantor(s). Therefore, no demand is to be made on the guarantor(s) unless it is decided to call up the loan and file a legal suit.

In the event of death of the borrower, deed of undertaking is to be obtained from the legal heirs of the borrower (including married daughters) or the suit is to be filed against the legal heirs within the period of limitation.

After the expiry of the documents, document ' Promise to pay the time-barred document' is to be executed by the borrower.

Deposit in Pay-in-slip or execution of Revival Letter will not revive the documents.
In the case of mortgage of property, 12 years limitation period starts from the date, when the amount is due for payment.

MISCELLANEOUS
No Document should be punched.
Copies of loan document(s) should be handed over to the borrower / guarantor.
Mortgaged document(s) as recorded in Recital register, PDCs recorded in PDC

Register should be kept in separate packet. Correspondence should be kept in separate file with the concerned credit officer.

All the documents should be kept in strong room or Fire proof safe under the personal custody of the authorised official.

Copy of Arrangement Letter & Documents are to be delivered to the borrower / guarantor duly signed by the executants and acknowledged.

Loan Documents executed are to be entered in Documents Execution Register. (Cash Credit Register and Term Loan Documents Execution Register)

KYC Documents of the Executants are to be verified with original at the time of execution.

POST SANCTION PROCESS

Credit is a supervised Bank credit . It is important that not only the appraisal of the credit proposal is done taking into account all factors for the successful running of the enterprise but it is also equally important that the advance is followed up effectively on a regular basis to ensure that the account is conducted satisfactorily and it continues to be in standard category.

Post-Sanction Credit process involves 3(three) stages : Follow up, Supervision, Monitioring & Control.

Follow up includes : Legal, Physical and Financial.

LEGAL FOLLOW UP

Legal Follow-up lays stress on documentation, including mortgages and if charges have been registered with ROC (for Company).

Documentation – Appropriate Documents are to be executed prior to Opening of Loan account and disbursement. Documents are to be entered in Documents Execution Register.

Periodic Review & Renew of documents to prevent Limitation Act .

Renewal or Review of documents including Revival Letter are also to be entered in the Register as and when it is executed.

Creation of Charge with ROC (Company)
Prior to disbursement of Loan, another ROC search is to be done to view any change in between sanction process.

Charge with ROC including modification of charge is to be created within 30 days of the execution of document by the Company owning digital signature.

Periodic search with ROC is to be carried out during the currency of loan.

Creation of EM on property (ies) with completion of all the formalities.

-Registration of charge in CERSAI site including Modification of charge is to be done within 30 days of the creation of mortgage. CERSAI ID is to be noted in the Title Deed Register.

Physical follow up

-Conveying sanction of advances to the borrower detailing the terms and conditions and

Obtaining acceptance thereof.

Submission of Control Report in appropriate format to the next higher authority / controlling authority. Submission of on line Early Sanction Report (ESR).

Recording in sanction register for each sanction and control.

Pre-disbursal Inspection of Unit in the prescribed format to ascertain the stocks and other plant / machineries (upon which charge is created). The activity level of the enterprise is at the estimated level at the time of sanction of the limit and is satisfactory. The various fixed assets charged to the Bank as security such as plant & machineries, building, vehicle etc. are intact. Hypothecation board is displayed on the prominent place of the office / Factory / Godown etc. Hypothecation charge should be absolute. Tour Diary is to be maintained by the Officer.

Periodic Inspection as per sanctioned terms.

-There is no accumulation of inventory such as raw materials, S-I-P or finished goods disproportionate to the levels projected by the enterprise at the time of sanction of limit. The position of oustanding debtors, overdue receivables, level of sundry creditors is satisfactory when compared to the levels projected.

Recording in Inspection observations in Inspection Register and Hypothecation Register. Any deviation is to be reported to the sanctioning authority.

Comprehensive Insurance of stocks / inventories (Market value), Plant & Machineries (Invoice value) Immovable property(mortgaged)(Valuation report)

Finacial Follow-up

Stock statement plays a vital role in monitoring the drawings in the account. The drawings in the account are regulated through D.P. arrived from the stock statement submitted by the enterprise. The periodicity for submission of stock statement is stipulated by the Bank in the sanction letter which is duly acknowledged by the enterprise. The stock statement should be subjected to close scrutiny. Besides, ensuring that the stock statement do not contain non-current / obsolete stocks, overdue receivables, un-paid stocks etc. It must be satisfied that the margins as stipulated by the bank have been applied and the D.P. has been arrived. The stock statement is signed by the authorised person and a certificate to the effect that the stocks have been properly valued and the figures reported in the statement were taken from the books of account maintained by the enterprise. All unpaid stocks financed through Sundry Creditors / Usance Letter of Credit / Buyers Credit / Letter of Comfort are to be deducted from the market value of stocks in all the cases, the revised DP computation sheets, statement of stock and book-debt and certification are placed as Annexure I, Annexure II and Annexure III. (Cir Sl No.1478 / 201718 dt 15.03.2018).

DP will be fed into CBS and recorded in Drawing Power Register.

Loans covered under CGTMSE / CGFMU / CGSSI are to be entered in the respective site by the reporting authority.

Follow-up and rectification of irregularities pointed out in the various inspection / audit reports (RFIA, IVA, Stock Audit, Concurrent Audit, SAR)

Recovery of applicable processing charges / fees / penalties, ASF on CGTMSE covered accounts etc. as per extant instructions.(Charges recovered will be noted in Recovery register).
Letter is to be sent to the borrowing unit at the recorded address for submission of data and Financial for Review / Renew exercise.

SUPERVISION
Record of Control Report with compliance of observations and report to the Controlling authority.
-Compliance of ERS / LRM Report
-a. Early Review of Sanction (Small LoansSL): It covers sanctions above Rs. 1.00 Cr and up to Rs. 20.00 Cr. (b) Early Review of Sanction (Large LoansLL): It Covers sanctions above Rs. 20.00 Cr
-Post –disbursement inspection is to be carried out immediately after disbursement of loan (WC / TL). Ensure end use of fund by verification of stocks as per stock statement, Receivables as per Debtors' list corroborated by Bills / challans drawn upon under credit sales, Fixed Assets as per quotation submitted at the time of Appraisal and the vehicles purchased.
Money Receipt / Invoice / RC Book(in case of vehicle) are to be collected from the supplier of fixed assets. (To be recorded in Hypothecation Register and in SME – 2A)
Compliance of Terms & Conditions of sanction before disbursement

Bringing additional capital, Plough back of agreed percentage of profit. Creation of collateral security: cash collateral / mortgage of immovable property on submission of original Title Deeds etc. Conversion of Proprietorship / Partnership Firm into Pvt. Ltd. Company. Noting of charge with ROC and with RTA in case of Vehicle
Data Purity (Project Ganga), scrutinising un-satisfactory & overdrawing report, SMA and NPA Report, Review / Renew due.
Redressal of customers' complaints.

MONITORING
Loan Account Monitoring Register in Excel is to be maintained by each Credit Officer incorporating the details of loan accounts e.g. Insurance particulars, Document Expiry, Due date for Review / Renew etc.
The credit summation / Debit summations in the account of the enterprise monitored to

verify that the entire purchase / sales transactions are being routed through the account. This is to confirm that the enterprise is confining their dealings with the Bank only. Incidence of bouncing of cheques due to insufficiency of Balance is not in recurring nature.

-The periodicity for submission of stock statement stipulated by the Bank in the sanction letter is maintained and no obsolete stocks / inventory is carried through over a period of time.

Tracking SMA accounts and Stressed Assets Review report in the prescribed format is to be submitted to the controlling authority or SMA Monitoring Committee.

Identification of NPA in CGTMSE covered accounts and feeding into CGTMSE site within a time frame (within the following quarter of the date of NPA). Whenever, NPA account is upgraded, it should be reported in the site.

Identification of NPA accounts and recording in NPA Monitoring & NPA Movement Register.

Stock Audit / Receivable Audit Report (for NPA Rs.5 cr & above) should be analysed and discussed with clients, particularly qualifying remarks of auditor in the audit report. Based on the audit report, a suitable communication should be sent to borrowal unit for rectification of the deficiencies in a time bound manner. In case of non-coperation by the Enterprise, it should be reported to the Controlling Authority.

-CIBIL Enquiry is to be done to ascertain the updating of loan particulars sanctioned by Bank.

NPA MANAGEMENT

NPA Management inter-alia involves the stages as follows ;

A. Identification of Special Mention Account (SMA)

a. Accounts where interest or instalment has not been serviced for 30 days ;

b : Accounts which are not in default but are showing early warning signals such as frequent return of cheques / bills discounted, devolvement of LCs, declining financials etc.

(B) Review of Stressed Assets:

Diagnose reasons for the account being identified as SMA / deterioration in asset quality.

Revalidate the assumptions made at the time of credit sanctions particularly in regard to assessment of credit risk.

Verify completeness and correctness of documentation including revival position, creation / registration of charges, insurance cover etc. and rectify deficiencies, if any.

Discuss the unit's problems with the promoters / guarantors and find out whether they have a future plan for the unit

Identify and study the existing primary and secondary sources of cash flow and determine whether the unit is intrinsically viable.

Determine whether the problems faced by the unit are of a temporary nature or whether any proactive action from the bank is required to sustain its viability.

Assess whether the promoter(s) / management has genuine intent to rehabilitate the unit.
Assess the ability of the promoters / management to turnaround the unit.
After taking a view on the viability of the unit / feasibility of restructuring, Holding on operations and Re-scheduling / Restructuring exercise is to be done. The exercise is to be approved by the sanctioning authority. No separate approval would be required for extending the same.
-Stressed Assets Review Report is to be submitted to Stressed Assets Monitoring Committee or the appropiae authority within 10 Days from the date of identification of SMA.
If after structured review, the unit is not considered potentially viable, recovery efforts (Notice, visits etc.) are to be immediately initiated to turn around the loan account within 89 days.
Technical errors if any is to be rectified.
Section 138 is to be imposed for failure to honour the PDC within 7(seven) days from the date of cause of action.
In case of Vehicle / Transport Loan, Seziure Notice is to be served upon the defaulter borrower.

Non Performing Assets

A non performing asset (NPA) is a loan or an advance where, Interest and / or installment of principal remain overdue for a period of **more than 90 days** in respect of a term loan. (Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank)

The account remains 'out of order' in respect of an Overdraft / Cash Credit (OD / CC). An account should be treated as **'out of order',** if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there is no credit continuously for 90 days as on the date of Balance Sheet or credit is not enough to cover the interest debited during the same period, Stock statements is older than 3(three) months, irregular drawings continued more than 90 days, an account where the regular / ad hoc credit limits have not been reviewed / renewed within **180 days** from the due date / date of adhoc sanction will be treated as NPA.

The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
The installment of principal or interest thereon remains overdue for **two crop seasons for short duration crops.**
The installment of principal or interest thereon remains overdue for **one crop season for long duration crop**. "long duration" crop would be crop with crop season longer than one year.

Advances against term deposits, NSCs eligible for surrender, IVPs, KVPs and Life

Insurance Policies need not be treated as NPAs, provided adequate margin is available in the accounts. Advances against gold ornaments, government securities and all other securities are not covered by this exemption.

NPAs are classified into 3(three) Categories;

Devolved LC / Invoked BG – Debits on account of above parked separately to be taken total dues for irregularities.

Sub-standard Assets A substandard asset would be one, which has remained NPA for a period less than or equal to 12 months.

Doubtful Assets An asset would be classified as doubtful, if it has remained in the substandard category for a period above 12 months.

Loss Assets: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly and Fraud Accounts.

Erosion in the value of security can be reckoned as significant when the realizable value of the security is **less than 50 per cent** of the value assessed by the bank, Such NPAs may be straightaway classified under doubtful category and provisioning should be made as applicable to doubtful assets.

If the realizable value of the security **is less than 10 per cen**t of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

Follow up Actions for NPA Resolution.

-NPA Accounts are to be entered in NPA Monitoring Register with periodical updating the movements .

-NPAs to be identified borrower wise not facility wise(A borrower enjoying more than one facility, if one account is turned to NPA, then all accounts would be classified as NPA).

-Loan Documents are to be checked regarding: Enforceable Documents Revival Letter, Insurance Expiry, availability of cash collateral & other securities.

-CIBIL & Other CICs Enquiry to examine whether the Borrowing Unit has availed loan facility from any other Bank & FIs.

-Another TVR by the empanelled Advocate, as well as fresh valuation by the empanelled Valuer other than the previous one is to done to ensure the enforce ability & collateral value of the security available for recovery of dues.

NPA account with outstanding >=Rs.5 cr, Stock Audit should be carried out.

Irregularity Notice of the loan account to all concerned (Borrower / Guarantor) is to be served in line with rectification of irregularities (submission of financial data, stock statement and statement of hypothecated assets, Insurance Policy, execution of Balance confirmation, servicing of interest / installment and other charges due to the bank)

Inspection is to be carried out at the Office / Factory / Godown to ascertain the stock position and value of primary security; discussion with the key persons of the borrowing unit in relation to the strategies worked out for recovery and upgradation of loan account.

Despite efforts, if the loan account remains NPA over a period and no tangible response is forthcoming from the borrowing unit, Hard Recovery measures will have to be pressed upon the Borrower / Guarantor. Irregularity report containing unsatisfactory features and follow up measures, will have to be submitted to the Controlling Authority with recommendation of calling up loan and recommendation for appropriation of cash collateral, resorting to hard recovery measures e.g. Legal Notice, Initiation of Legal suit / DRT suit, SARFAESI Action (immovable property), seizure of vehicles and examination of staff accountability aspects.

After having approval, Final notice advising the irregularities and demanding payment of the Bank's dues, together with interest thereon should be sent to the borrower(s) and the guarantor(s). They should be advised of the Bank's intention to realise the dues by sale of goods, initiation of SARFAESI Action and / or filing of suit for recovery of the shortfall, if any, if the account is not regularised or the dues are not repaid before a particular date.

NPA RESOLUTION MEASURES

Appropriation of cash collateral to the loan account.

Recovery by Seizure of Vehicles through engagement of empanelled Resolution Agent or Enforcement Agent and put into auction.
Recommendation for transfer to Recalled Assets to be submitted to the controlling authority.

Filing of Legal Suit / DRT Suit(if the suit value is Rs.20 lacs and above)

-Notice is to be sent for Identification & Declaration of the Borrower / company / Guarantor(s) as Willful defaulters (Rs.25 lacs and above suit filed & non-suit filed)(Cir No. Sl. No. : 445 / 2012 – 13 Dt.03.08.2012, Sl. No. : 711 / 2012 – 13 Dt.12.10.2012)

CGTMSE Claim is to be lodged after filing of suits for CGTMSE covered accounts.

SARFAESI

-SARFAESI Action is applicable

(i) NPA Accounts only (ii) A secured creditor can take possession of the secured asset and sell the same without recourse to the court, (iii) If the sale proceeds are not adequate, bank can file a suit with DRT for recovery of the dues. (iv) Consortium advances in joint loans by bank, at least 75% of the advance should agree to serve the notice and the financial asset can be sold.

SARFAESI Act is not applicable to

(i) Lien on any goods (ii) Pledge of Movables Conditional sale, hire purchase or Lease, (iii) Security interest created upon Agricultural land (iv) Security Interest for securing repayment of any financial assets upto Rs.1 lac.. (v) Any case in which the amount due is less than 20% of the principal amount and interest thereon.

Notice under u / s 13(2) of SARFAESI Act,2002 is to be served upon the Mortgagor with a copy to the Borrowing Unit for payment of dues within 60 days.

Resolution Agent / Enforcement Agent is to be entrusted upon for recovery loan due by enforcement of SARFAESI Procedures.

Possession of the property after serving Possession Notice and sale of property by Auction or Private Treaty.

SARFAESI Register is to be maintained and regular follow up is to be recorded.

Transfer to Recalled Assets(RA)

Consequent upon lapse of considerable period and enforcement of all the soft recovery and hard recovery measures, recommendation for transfer to RA to the appropriate authority.

Write Off:

NPA with 100% provision will be written off after obtaining approval from the appropriate authority and the outstanding will be transferred to AUCA. The recovery measures of AUCA is similar to NPA.

Write Off Register is to be maintained for recording the written off accounts and the approval.

Compromise:

Compromise settlement refers to a negotiated settlement where a borrower offers to pay and the Bank agrees to accept in full and final settlement of its dues an amount less than the total amount due to the Bank under the relative loan contract. Thus, the settlement invariably involves certain sacrifice by the Bank (by way of write off and / or waiver) of a portion of its dues.

Bank's approach to compromise as a recovery option will be based on an analysis of the Bank's strength and / or weaknesses in a given case. The parameters for such analysis are: i) quality of assets charged to the Bank; ii) collateral cover, i.e. its value and marketability; iii) means of borrower / guarantor(s); iv) status of legal action;

Depending on the merits of each case, any one or more of the following concessions may be considered: i) waiver, either in full or part, of penal interest, if charged. ii)waiver of or reduction in the rate of interest, from the date the account became sick or was transferred to PB / RD account.

Partial or complete waiver of interest charged / accrued after the unit ceased functioning. iv) Remission of a part of the principal dues. v) Partial or complete waiver of legal charges incurred.

Where the loan is secured by the immovable property The Net Present Value (NPV) of settlement amount should generally not be less than NPV of the realizable value of the available securities. In case of lower value, the same has to be justified with valid and sufficient reasons. For calculation of NPV, the rate of discount should be taken as the prevailing Base Rate with annual rests and the maximum estimated time to realize the securities may be taken as 5 years from the date of notice under section 13(2) in case of SARFAESI action and 7 years from the date of filing suits in case of DRT / Court cases. (Ref. Cir.Sl No.338 / 2014-15 dt.02.07.2014) The quantum of sacrifice per se involved in a compromise offer would not hinder consideration of the offer. All compromise proposals will clearly spell out the basis on which the negotiated amount of settlement has been arrived at.The Compromise proposal for loan account, where SARFAESI Action has been initiated, compromise settlement will be negotiated as per negotiated agreement.

Details of Compromise are to be entered in Compromise Register and follow up is to be done at intervals for recovery of settlement dues.

LOK ADALAT

Lok Adalat is a mechanism for quick and effective method for settlement of dues.
Identification of NPA / AUCA / Suit filed / non-suit filed accounts which can be referred to Lok Adalat for settlement. No cut-off date since Lok Adalat is an ongoing process.

-Accounts having total dues upto Rs.20 lakhs can be referred to Lok Adalat.

-Both suit filed (litigation) and non suit filed (pre-litigation) can be referred to Lok Adalat. Furnish the list of identified accounts to the office of Legal Services Authority situated at State Level, District Level and Sub-Division Level with a request to organize Lok Adalat and refer them to Lok Adalat.

In case of suit filed (litigation) cases, approval for referring the case to Lok Adalat must obtained from the concerned court.

-Co-ordinate with officials of Legal Services Authority for sending notices to borrowers for appearing before Lok Adalat.

-Hold intensive Pre-Lok Adalat meets with borrowers / guarantors and educate them on advantages of settling dues through Lok Adalat.

-Encourage borrowers / guarantors to participate in the Lok Adalat & ensure maximum participation.
-Presence of borrower / guarantor is mandatory and to be ensured.

-The date and place of Lok Adalat must be fixed in advance and maximum publicity must be given through newspapers, electronic media and our Branches by circulating pamphlets, handbills etc.

-Since Lok Adalat settles cases on the spot, officials representing Bank before the Lok Adalat should have sufficient powers to

accept the compromises worked out within the policy frame work before the Lok Adalat.
-Officials attending Lok Adalat should obtain in-principle approval for settlement from the respective controllers and should respond pro-actively to the suggestion of the members of the Lok Adalat.

-After hearing both borrower and Bank official, Lok Adalat members will pass the Award.

-Every Award of Lok Adalat is deemed to be a decree of Civil Court and no appeal lie before any court against the award.
-The award passed by the Lok Adalat will contain the repayment schedule for the borrower / guarantor. The proceedings in Lok Adalat will be recorded and Borrowers / Guarantors and the Bank officials must put their signature on the Award as token of acceptance. Therefore, borrowers' / guarantors' presence is mandatory.
-While arriving at the settlement, factors such as total dues, value of the security available, repaying capacity of the borrower and cost of recovery to be kept in view.

The award contains default clause in terms of which if the borrower doesn't pay as per agreed terms, he will be liable to pay entire amount due without any waiver / concession. The repayment period should be within 1 to 3 years.

-The civil court (before which the suit is pending) passes a decree / final decree in terms of the award passed by the Lok Adalat.
-The borrowers / guarantors are to be persuaded to make maximum amount as upfront payment on the day of Lok Adalat itself.

-No court fee is required for obtaining Lok Adalat Award and in case of suit filed cases, court fee paid by the Bank shall be refunded if settled through Lok Adalat.

-The Borrowers / Guarantors are required to make payment as per the terms & conditions of the Award.

Post Lok Adalat, close follow up with the borrowers / guarantors are required to ensure prompt repayment as per Award.
-In case, Borrowers / Guarantors fail to make payment as per award, legal proceedings must be initiated by filing Execution Petition before the competent court through Bank's advocate.
Efforts must be taken to obtain details of the assets of the borrowers / guarantors and attach those assets by filing necessary application in the Execution Petition filed by the Bank.

-Settlement of cases through Lok Adalat is faster and inexpensive remedy with legal status.
Lok Adalat is to be conducted at frequent intervals and report of settlement in Lok Adalat cases is to be submitted to the controlling authority.

ONE TIME SETTLEMENT the Bank circulates instruction of one Time Settlement with discount and concession time to time for recovery of NPA.

FRAUD:

Fraud is defined as loss or drainage of Banks Fund by way of deceiving or breach of Trust or mis-representation of persons / Documents / securities etc. because of the fraudulent action (s) by internal staff or external persons (Borrowers / Vendors / Third Parties).

CLASSIFICATION OF FRAUDS

In order to have uniformity in reporting, frauds have been classified as under, based mainly on the provisions of the Indian Penal Code:

a) Misappropriation and criminal breach of trust (b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property (c) Unauthorised credit facilities extended for reward or for illegal gratification (d) Negligence and cash shortages (e) Cheating and forgery.

f) Irregularities in foreign exchange transactions. (g) Any other type of fraud not coming under the specific heads as above.

Lapses which led to perpetration of frauds, in brief, are as under:

Meaningful pre-sanction inspection was not carried out for the purpose of demarcation of land

Progress of construction & end use of funds was not verified from time to time.

Margin money at each release of TL was not ensured.

Professional misconduct of advocate collusion with the borrower.

Antecedents of the borrower were not properly verified by the dealing officials.

Properties offered as collateral were given to same advocate and valuer.

Fake / multiple title deeds deposited with different banks for loans in the name of different companies, promoters being the same.

In case of loans to Trust accounts, more than ordinary care should have been taken by making reference to Commissioner of Charitable Trusts or / and District Administration Authority and of margin money need to be verified.

Encumbrance Certificate for the mortgaged properties should have been taken at regular intervals by the Bank engaging different advocates.

In case of private lease executed by other than the State Development Authority, the value of the properties cannot be more than the lease rentals for the unexpired tenor i.e. the realizable value at market value cannot be reckoned for arriving at the present realizable value.

Non-adherence of KYC guidelines of the borrowing firm / Company / Borrower and the / Guarantor.

Xii. Over reliance on the search report / title Investigation Reports furnished by the Bank's Advocates

Disbursement of working capital without verifying the implementation or construction of the project.

Not doing site survey / making independent enquiries and relying solely on the borrower / third parties. The credit worthiness of applicant borrowers were not verified discreetly.

Xiv) Sanction of loans against fake / laminated title deeds / documents .

xv) Submission of Balance sheet with inflated figures in sales and profit.

Prevention measures of fraud:

The plot of land without clear demarcation and identified, should not be taken as security either primary or collateral.

Pre-sanction visit at the time of sanction or renewal at the residence of the borrower & the guarantor along with discreet enquiries about availment of loans from any other banks or financial institutions.

During property visit, enquiries with the neighbours and photographs of the land & building is to be taken.

Iii. The TIR and Valuation reports should be cross checked through the independent verification. Reverification of Title Deeds and valuation are to be done as soon as the loan account turned to NPA .

Where the probability of registration at Advocates should be guided to carry out searching exercise at all the office of the Register of Assurances,

Guarantors' KYC should be meticulously followed up and all related documents carefully be preserved.

KYC & credentials of the supplier are to be verified from its Banker to ascertain whether the supplier deals in particular goods / items.

Bank's charge on the vehicle should be got noted immediately with the Regional Transport Authority after disbursement of loan.

Balance sheet submitted should be compared with the Balance sheet annexed with ROC search report.

Delay in reporting of frauds to the controlling authority would be avoided.

Staff Accountability aspects Pre-sanction process:

Qulity of Appraisal with justification

KYC, antecedents and track record of the borrower

Credit Information of the borrowing unit and Associates / Sister concerns.

Opinion Report of Borrower / Guarantor / associates devoid of details of means & particulars of property with supporting documents and furnishing Notarised affidavit.

Title Investigation Report (TIR) and Valuation Report were not obtained as per Bank's extant instruction for all the properties to be mortgaged. The Mortgaged property is not demarcated / identified. Independent verification of property is not done.

verification of other primary / collateral

e.g. plants & machineries, LIC etc. is not done, no charge is created.

ROC search, search in CERSAI site, CIC Information are not done / recorded.

h.Details of accounts maintained with other Bank is not recorded in the proposal and observations by sanctioning authority is not visible.

Sanctions and Approvals:

Review / Renew within the due time is not done .

Sanction is not accorded.

Control report is not submitted to the next higher authority and controlled copy is not available with the loan document.

Compliance of stipulations and observation

of sanction & control are not done and compliance report is not submitted.
Take over norms are not complied before or after sanction.
F. Credit Information Report from Bank has not been obtained at the time of Taking over Loan.

g.Arrangement Letter with the stipulated terms & conditions is not acknowledged by the Borrower / Guarrantor.

Promoter's contribution / Margin has not been received as per terms of sanction.
Schematic lending norms has not been followed while sanctioning loans under specific scheme.
Sanction of loan exceeds delegation of financial powers.

Documentation:
Appropriate SME Documents with requisite stamp are not obtained.

KYC Documents of the Borrower / Guarantor are not verified by the Documentation Officer.

ROC search is not done prior to the documentation and noting of Bank's charge with ROC is not done within due time.
Registration mortgage with modification of charge (if any) at CERSAI site is not done.
Documents as recorded in TIR by the Advocate are not obtained.

Loan Documents are not revived within due time.
Documents & Revival Letter are not entered in Documents Execution Register.
Particulars in details i.e. Limit, Adhoc limit, Margin, repayment tenure are not incorporated in CBS.

Disbursement
All Terms & conditions are not complied with prior to disbursement.

End use of fund and creation of assets are not verified by post-disbursement inspection and the observations are not recorded with Loan documents.

Stock statement is not verified before allowing Drawing Power and the computation of D.P. is not correct.

Post-Sanction Inspection:
Periodicity of submission of stock statement is not followed, comments on slow moving or non-moving stocks and receivables beyond the cover period is not visible. Drawing Power is not arrived at correctly.
Periodicity of Inspection is not maintained. No action is taken upon the adverse remarks of the Inspecting Official.

Insurance of stocks of full value, other primary securities and collateral securities (immovable property) has not been obtained. The address of the factory / godown is not recorded appropriately.
valuation of securities after disbursal of loan is not done.
No follow up action has been taken upon the adverse feature of the loan account and reported to the higher authority.
Follow up of SMA / NPA:

Excess drawings are allowed and not reported to the higher authority.

Early warning signals are not followed or no action is taken .

SMA Report is not sent to the Stressed Asset Monitoring Committee or Controlling Authority. Compliance action is not taken upon the observations.

Rehabilitation / restricting exercise is not taken

Action Plan is not taken for up gradation of SMA.

CGTMSE claim has not been lodged.

NPA monitoring by way of sending notice to Borrower / Guarantor, Inspection of unit etc. is not done.

NPA Resolution measures by way of filing suit / DRT suit, SARFAESI Action, Seizure of vehicles, Auction sale etc. have not been done.

Recovery measures of Written off accounts / AUCA has not been done.

Cash Budget is not analyzed in case LC Appraisal.

Compliance action is taken upon instructions.

Devolvement of LC / Invocation of BG during the currency of facility has not been reported to the controlling authority.

INSPECTION AND AUDIT (IVA)

Audit can be defined as the evaluation of performance of unit over a period of time in compliance of laid down systems & procedures and control of risks associated with operation of unit.

Internal Verification Audit

It is a Web based portal instead of Circle Audit introduced w.e.f. 17.02.2016.

All the advances of value below Rs.3.00 lacs.

Score is awarded to the Branch but is not rated.

Compliance is to be submitted within 8 weeks from the date of Audit.

Score of IVA is taken into account for the next RFIA.

Score :(a) CRM – 650 (b) ORM – 330
(c) External Compliance(EC) – 20.

RISK FOCUSSED INTERNAL AUDIT(RFIA)

The Risk Focussed Internal Audit, undertakes an independent risk assessment solely for the purpose of formulating the risk-based audit plan keeping in view the inherent business risks of an activity / location and the effectiveness of the control systems for monitoring the inherent risks of the activity

Risk Focused Internal Audit (RFIA) aims at:

Identification and assessment of risks involved in the CRM, ORM & External Compliance areas at Auditee Units.

Verification of compliances of the Bank's laid down policies and processes in the presanction, post-sanction, Stressed Assets management and operational areas.

Providing feedback to the Operating Units and their Controllers regarding deficient areas for improvement in Credit & Operational and External Compliance areas to reduce the risk at Auditee Units and thus to improve health of the organization.

Common Deficiencies in CRM:

Sl No.	Deficiencies
1.	Submission of Control Forms / Returning of Scrutinized Control Forms not ensured.
2.	Documents not produced for verification / missing
3.	Completion of EM, MOD formalities not done. AnnexureE and F are not filled in.
4.	Registration under CERSAI not done / copy thereof is not enclosed in concerned loan document. CERSAI charges not recovered.
5.	Full chain of Revival Letters not on record. As a result, large number / amount of Time Barred documents were observed.
6.	Timely Review / Renewal of eligible accounts not done.
7.	Asset Classification not as per IRAC norms
8.	CRA rating not done / updated in CBS.
9.	Weight and Purity of Gold is not tested by branch officials / Gold smith report is not held before disbursement of Gold Loans
10.	Conducting of pre / post sanction inspections, not fed in CBS / report not held
11.	Advances > 1 Crore – Income Leakage – CRA rating done but ROI not corrected, Processing charges not recovered (whether review / renewal done or not).
12.	Insurance not taken / inadequate / Bank's charge not noted / not fed in CBS correctly.
13.	Follow up of irregular / SMA accounts not ensured & such recording in concerned Inspection Registers not done
14.	CGTMSE cover for the eligible accounts not done.
15.	KCC borrowers' Personal Accidents Insurance cover not done in eligible cases.
16.	SARFAESI notices sent / promised by borrower to pay / SARFAESI action deferred and thereafter no follow up by branch, position remains the same as earlier.
17.	Safe keeping of Gold ornaments are not as per Bank's circular instructions / Purity never checked by branch staff. Instruments of checking of purity not held / not being used.
18.	TIR is not obtained in the Bank's standard format. NEC for the broken period and on annual basis was not obtained.
19.	Valuation Report is not being obtained at stipulated periodicity. If obtained, it is not confirmed for reasonableness of value by the branch official.
20.	Post sanction inspection / stage wise inspection / periodic inspection not ensured
21.	Critical irregularities in PMMY scheme.
22.	Incorrect IRAC status
23.	Non-migration of accounts to CPC, SARB, SAMG timely.
24.	Sanction of limit exceeds Delegation of Financial Powers

ZERO TOLERANCE AREAS (ZTAs) CREDIT RISK MANAGEMENT (CRM):

I. Prescribed KYC Documents of Borrower(s) not held in record.

Pre-sanction inspection to the site / firm / Unit / Residence / Business place of the borrower / guarantor not done / not on record, for the advances sanctioned / renewed during the period under review.

Credit Information Reports on borrowers / guarantors from the listed Credit Information Companies not obtained as applicable to the loan products.

Physical Verification of the properties not done and independent verification of valuation is / are not carried out as Annexure F circulated vide e-cir Sl no. 41 dt. 13.04.2013.

TIRs not obtained on Bank's standard format as circulated vide e-circular no. 41 dt.13.04.13 and revised vide e-cir sl no. 696 / 2017-18 dt.25.09.17.
Loan Documents for the sampled accounts not produced for verification.

Mortgages of all properties stipulated in sanction not created.
(a) Registration of EM / RM with Central Registry (CERSAI) has not been done
(b) Data updation in CBS with the four CERSAI Data fields : Assets ID, Security Interest ID, Date of EM Creation and Date of Registration in CERSAI has not been done.
Elligible accounts are not covered under CGTMSE.

Scrutinised controlled copy of sanction not on record, even after 3 (three) months of sanction.

OPERATIONAL RISK MANAGEMENT (ORM) :

Risk Categorisation of customers into low, medium and high is not done.

Scanned pages of discrepant AOFs placed in ftp site are not downloaded by Branch and not resubmitted after compliance to LCPC promptly.

Genuineness of KYC documents (applicable OVDs) and the specimen signature of the authorised signature(s), in case of NonPersonal accounts not verified.

Manual intervention of Transactions in Interest, Expenses & Income Accounts observed, proper records not maintained and approval not obtained.

Deviations in Critical / High Risk Areas pointed out by the previous audits, recurred in the current audit also.

Fraud established through the fraud angle investigation not reported immediately to the Fraud Management Committee at LHO for declaration of the case as fraud as per SOP circulated vide e-cir Sl no. 1476 / 2015-16 dt.03.03.2016.
Opening and maintaining Parking Accounts under SB and CA products without approval.
Reconciliation of BGL Accounts pending for more than 90 days, attracting provision.

Transactions with value date prior transaction date not approved by the authorised official and monitored.

Instances of Incorrect / False Certification are observed (other than those already reported in Compliance Audit).

Locker Access Module in the CBS not put into use.

** Auditee Branches are classified into (i) Group I (ii) Group II and (iii) Group III and CRM & ORM scores are allotted.*

Credit Audit
Covers all Credit Auditable Accounts (CAAs) (including LC Bill Discounting limits whether it is on stand-alone basis or sanctioned as part of the existing limits) with total credit exposure (FB+NFB limits) above Rs. 20 Cr and above. However, take over advances (accounts with exposure of Rs. 10 Cr and upto Rs. 20 Cr) are to be covered under Credit Audit for the first audit and will be subsequently covered under RFIA. The audit covers both Pre-sanction processes like Appraisal, Assessment and Sanction, and post sanction processes like Documentation, Follow-up, Monitoring and compliance with terms of sanction. If accounts of sister concerns / group / associate concerns of a CAA are in the books of the same auditee unit, they are also covered under the Credit Audit process, even if their credit exposure is Rs. 20 Crores.

Legal Audit is mandatory for all exposures of Rs 5 crores and above to verify Title Deeds and other Loan Documents.

Statutory Audit exercise is done by the Statutory Auditor appointed by the Reserve bank of India at the time of Annual closing. The Audit exercise covers all aspects of Appraisal, Assessment and Assets classification.

Concurrent Audit process works at large Branches and CPC on day to day basis. The Concurrent Auditor is empanelled by Bank and works in the areas as specified and monitored by Inspection and Audit Department. The Concurrent audit is an internal inspection exercise for identification of the disquieting features and rectification on regular basis, with the aim to minimise risk and probable loss to the Bank.

Document checklist for CC / TL– New, renewals and enhancements at the time of submission

1 Loan application / request letter (2) Biodata form (3)Proof of Identity, PAN Card, proof of residential address and the Business address of the individuals and the Firms / Company etc. (4) IT Returns 2 years (5) Trade Licence, Registration of Firms (if registered), Company ownership documents (6) Notarised Asset liability statement of owner and guarantor (7) Allocation of power supply (8) Audited financials for 3 years (9) Provisional financials (Current) (10) Projected financials for 2 years (11) Copy of original title deed. (12) Project report containing the following information: Key managerial staff (qualification / experience), Source and availability of raw material, Details of technology & manufacturing process, Marketing arrangements, strategy and details of machineries to be installed. Major players (competitors) and market share, Quality control arrangements, Schedule of implementation etc. (13) Articles of Association and MOA for Company along with ROC search report.

Needed before sanction
(14) Profile of associate companies (15) Financials of associate companies (14) Opinion report from previous banker (Take Over Loan) (16)Tax receipts for land / property. (16) Original title deed with Non-encumbrance certificate. (17) Certificate of

utilities availability (18) SSI registration (19) License / approval from regulatory authority (20) Pollution control certificate (21) Lease agreement for hired premises (24) KYC and antecedents of the vendor / supplier.

@ Audited Balance sheet for (i) Corporate borrowers for limit > Rs.5 lacs and (ii) Noncorporate borrowers e.g. Individuals and firms for limit of Rs.10 lacs and above.

@ Financial statement is not required for loan limit of Rs.3 lacs and above.

List of items are Illustrative but not exhaustive.

IMPORTANT REGISTERS

(vide circular no Circular No.: NBG / BRNWM-BRANCHES / 5 / 2018 –19 Date: Tue 22 Jan 2019)

Application Received & Disposal Register – for recording loan applications received and sanctioned / returned / rejection.
Sanction & Control Register – For recording sanction & Control Report sent / received back the acknowledged control report.

Documents Execution Register – Cash Credit Register and DL / TL Docs. Execution Register.

Recital Register – for recording Memorandum of Title Deposits(in case of EM / Registered Mortgage)
CGTMSE Monitoring Register – for recording CGTMSE covered a / cs.

Drawing Power Register – for recording stock statement to arrive at Drawing Power in Cash Credit Account.

Insurance Register – for recording particulars of Insurance items.
Joint Custody Register – for recording security scrips in case of DL / OD against Bank Deposits.

Safe Custody Register & Security Ledger – for recording security particulars & amount in case of DL against Govt. Securities and as collateral securities for other loans.

Miscellaneous Securities Register – for recording Life Ins. Policy in case of advance against assignment of policy.
Govt. Subsidy Register – for subsidy Govt. Sponsored schemes viz., SHG, PMEGP, SVKSP,
SGSY,SJSRY,USKP etc.

Suit Filed Register – for recording Money suit / DRT Suit etc.
SARFAESI Notice Issued Register – for recording particulars of loan a / cs / SARFAESI Notice Issued.
NPA Monitoring Register – for recording the actions initiated against NPA A / cs.
NPA Movement Register – for recording Cash recovery, upgradation, write off and compromise against NPA a / cs.
Write Off Register – for recording written off a / cs.
AUCA Register – for recording particulars AUCA a / cs.
Compromise Register – for recording particulars of compromise settlement.
List is not exhaustive.

IMPORTANT CIRCULARS / INFORMATION – ADVANCES

Advances against Book debts Guidelines 559 / 2013-14 28.08.2013
Obtention of Sundry Debtors / Sundry Creditors list 540 / 2019-20 22.07.2019
Computation of DP Treatment of Sundry

creditors 582 / 2019-20 29.07.2019

Computation of DP Treatment of Sundry creditors / Buyers Credit / unpaid Bills against LCs 456 / 2019-20 05.07.2019

Submissions of FFR / QRR by Borrower Guidelines CCO / CPPDADV / 79 / 22091.069-1.27016

FFR Processing 191 / 2019-20 14.05.2019

Mandatory Asset verification by outside agency for above Rs.1 Cr limits 208 / 20106-07 26.07.2006

Due diligence while sanctioning new proposals 1310 / 2015-16 25.01.2016

Due diligence on guarantors 379 / 2015-16 30.06.2015

Opinion Report 1172 / 2018-19 29.11.2018

Opinion Report not required for loans up to Rs.3 lakh for Agri / SME, Gold loans 753 / 2014-15 25.09.2014

Opinion Report obtention of Income tax assessment order 12 / 2018-19 02.04.2018

Verification of financials of borrowing entities 736 / 2015-16 11.09.2015

I Probe Guidelines 741 / 2013-14 04.10.2013

Continuation of working capital limits (180 + 90 days) 898 / 2018-19 05.10.2018

Frequent / Large enhancement in limit guidelines 759 / 2018-19 07.09.2018

Review / Renewal of WC limits 838 / 2018-19 27.09.2018

Verification of financials of borrowing entities (KYC of auditor firm) in r / o non corporate borrowers 1065 / 2017-18 08.12.2017

Certified copy of Pass port for 50 cr and above 547 / 2019-20 23.07.2019

Mandatory CIR on all borrowing group companies 223 / 2019-20 23.05.2019

CIBIL Deviation Discretionary powers 1501 / 2016-17 14.02.2017

Credit facilities to companies CIC defaulters list 222 / 2019-20 23.05.2019

Collateral security norms for Trade and services 1577 / 2018-19 22.02.2019

Collateral security norms

Compliance certificate guidelines 95 / 2015-16 20.04.2015

Irregularity reporting guidelines 1801 / 2018-19 30.03.2019

Monitoring of end use of funds 551 / 2019-20 23.07.2019

Legal Entity Identifier (LEI) (exposure 50 cr and above) 296 / 2019-20 07.06.2019

Take over norms Master circular 225 / 2019-20 23.05.2019

Stand by line of credit 764 / 2012-13 19.10.2012

Standard covenants 805 / 2018-19 19.09.2018

TL average maturity 788 / 2018-19 17.09.2018

33. CGFMU Flag 340 / 2018-19 8.06.2018

34. CLP up to 5 cr 1151 / 2018-19 21.11.2018

514 / 2019-20 17.07.2019

CMR Report compulsory (>10 lakh < 50 lakh) 431 / 2018-19 12.07.2018

CRA guidelines 43 / 2017-18 10.04.2017 do CCO / CPPDCRA / 54 / 21011.20-91.32012

Below 50 lakh exposure scoing compulsory 57 / 2018-19 11.04.2018

Project Vivek FAQ LLMS) 938 / 2017-18 10.11.2017

Valuation report format 1227 / 201415 17.01.2015

SOP for sanction of loans (including take over) BPR Above 50 lakh; Non BPR Above Rs.1 Cr 1267 / 2015-16 13.01.2016

Assessment of WC Transacting in digitally (25% ....37.50% 1688 / 2016-17 31.03.2017

LOS SME / LLMS compulsory for all SME loans w.e.f 01.04.2019

Investment in P & M for MSME loans guidelines 554 / 2017-18 11.08.2017

PDC as seuciry cheque in addition to ECS mandate Mandatory for Term Loans 1114 / 2013 -14 dt. 09.01.2014

IMPORTANT CIRCULARS / INFORMATION – ADVANCES:

Udyog Aadhar Number Mandatory for CGTMSE loans w.e.f 01.05.2017 95 / 2017-18 21.04.2017

Master circular Stock & Receivables audit 1027 / 2016-17 05.11.2016

Revised Annexure F 1241 / 2018-19 12.12.2018

48 Valuation more than 20% variation to guideline value, it should be incorporated in appraisal report 1130 / 2014-15 24.12.2014

Selfie at property offered as security along with owner of property 1130 / 2014-15 24.12.2014

50. CRILC - SOP 1053 / 2018-19 31.10.2018

51. SOP - CGTMSE 660 / 2019-20 08.08.2019

Term Loans Standard Assets Dispensing with obtention of Revival letter 1011 / 2012-13 08.01.2013

SOP seizure and auction of vehicles 261 / 2015-16 02.06.2015

Policy on wilful defaulters 552 / 2019 20 24.07.2019

SOP NPA review 17 / 2019-20 16.04.2019

SOP Compromise 1794 / 2018-19 30.03.2019

SOP Lok adalath 1793 / 2018-19 30.03.2019

Migation of accounts to SARB / SAMB CCO / CPPD-Adv / 135 / 2220.1152-.126015

MUDRA LOANS latest guidelines 556 / 2019-20 24.07.2019

CHECKLIST FOR ACCEPTANCE OF APPLICATION

Note: This checklist is only indicative and has been prepared to assist the operating staff in their day-to-day work. For authentic instructions, a reference must be made to the relevant circulars / manuals / policy documents etc

Ensure to get the loan application in the prescribed format with enclosures as applicable

Check completeness of application in all respects & availability of all supporting documents.

Ensure entry in the "Applications Received – cum – Sanctioned" Register

Check for SSI Registration Certificate from Appropriate Authorities, if applicable

Check for change in constitution of the applicant / Unit, if any seek full details thereof.

Obtain the Statement of Assets & Liabilities of the Proprietor / Partners / Directors.

Ensure KYC compliance.

Accounts of individuals: (a) Proof of identity and (b) proof of address c) Photograph of Borrowers & Guarantors & d) Copy of PAN Card.

Other than individual accounts: Besides prescribed application forms and photographs of persons who will be operating the account, following documents are also to be obtained

Companies :

Memorandum and Articles of Association

Certificate of Incorporation,

Certificate of commencement of business (wherever applicable), A copy of the resolution of the Board of directors for opening of the account and Identification of those who have authority to operate the account [as applicable to individual accounts] Copy of PAN card

Societies / Associations / Clubs :

Resolution for opening of the account

A copy of Bye-laws

Copy of certificate of registration in the case of registered clubs, societies and associations.

Proof of Identification of the office bearers who are opening and Operating the account.

Hindu Undivided Family (HUF):

HUF comes into being because of a particular concept under Hindu Law whereby all the members of the family reside together jointly, carry on a business activity jointly and hold the property jointly and therefore, it is termed as Hindu Undivided Family.

Declaration from the Karta.

Proof of Identification of Karta.

Prescribed Joint Hindu Family Letter signed by all the adult coparceners.

Copy of PAN Card.

Trusts:

A copy of the resolution,

Trust deed

A copy of registration certificate,

Power of Attorney granted to transact business on its behalf (wherever applicable),

Any officially valid document to identify the trustees, settlors, beneficiaries and those holding Power of Attorney

Partnership Firms :

Partnership deed

Partnership letter

Introduction from a person known to the bank

Registration Certificate (in case of Registered firm)

Any officially valid document identifying the partners and the persons having Power Of Attorney and their addresses

Telephone bill in the name of firms / partners.

Copy of PAN Card of each individual partners

Have the recent audited Reports been enclosed to the application, where applicable.

If already assessed to IT / Wealth Tax, returns for the last three years have been enclosed?

Check for correctness & completeness of the details regarding Associate concerns & their financial statements / borrowing arrangements.

In case of switching over from other Banks, check 1) whether proper reasons have been stated for the switch over and 2) It is convincing that they are genuine & 3) whether is satisfies Bank's "Take-over" Norms.

CHECKLIST FOR PRE-SANCTION PROCESS

Check for correctness & completeness of the details regarding the proposed Unit / Associate concerns & their financial statements / borrowing arrangements.

Enquire about the person(s) behind the Unit – particularly regarding experience in the line of activity, qualifications, honesty, capacity etc.

Check contents of the Project Report very carefully to ensure against aberrations.

In case of a manufacturing concern, examine the commercial validity of the process involved.

Check precise information on availability of the infrastructure like shed, power, transport, skilled / semi-skilled workers.
Verify Pollution Control Certificate, as also its genuineness and validity.
Check validity of the Break-even levels given in the project report.
Convince yourself about the effectiveness of the strategies for Marketing the products of the Unit.

. Satisfy about un-interrupted availability of Raw Materials (including arrangement made for import in case of imported Raw materials).

. Receive CMA data duly signed by the Authorized signatory.
Satisfy about the reasonability of estimates & projections of both production and sales data.

Check for indication of the anticipated figures regarding cash vs. credit sales and whether the term for receipt of funds is in tune with the industry levels.
Check for anticipated level of Creditors and satisfy whether terms of settlement of their bills are in alignment with the market / industry trends.
Satisfy whether all the Administrative & selling expenses have been factored in arriving at the surplus / profit.

Compare the figures in the Audited Statements with those on record and ensure against any contradictions between the two.
Check whether the Unit has at any time applied with any other Branch of the Bank and has been stated in its present application.

Ensure making a search with office of the ROC to ensure against any previous charges.
Conduct Pre-sanction inspection of the following:

Unit / Factory / Plant / Works
Office Properties offered as collateral security

Record the observation during Presanction inspection in the prescribed format to the next higher authorities (including any unsatisfactory features noticed)
Discuss with the Proprietor / Partners / Directors on the points in the application form where further clarifications are required.

Get the Valuation of the Property done by Bank's Approved Valuer.

Obtain Title Investigation Report from Bank's empanelled advocate.

Compile opinion report on the borrowers / guarantors based on the Statement of Assets and Liabilities furnished by them in the prescribed proforma.
Obtain opinion reports on the Unit / Associate concerns from other Banks (in cases of switchover), in the standard formats provided by IBA.

Compile Group Profile in case of group concerns.
List out Inspection & Audit irregularities in case of renewals / enhancements.

Submit Appraisal Memorandum to the Appropriate Authority in the standard Format prescribed for the same.
Reply to queries from sanctioning authorities promptly.

Receive Sanction / approval from the Appropriate Authority and convey the same to the Unit.
Record the Sanction in the "Applications Received – cum – disposed Register".
Issue Letter of Arrangement to the borrower with the full set of terms and conditions covenants of the sanction.

Submit Control Returns to the Appropriate Authority Promptly.

Convey sanction to the Official in charge of documentation at the concerned CPC to arrange for documentation as is necessary.

CHECKLIST FOR ITEMS TO BE VERIFIED BY THE ADVOCATE & INCORPORATED IN HIS LEGAL OPINION

Whether the property is heritable and transferable?
Whether the Borrower(s) / Guarantor (s) / Mortgagor (s) alone has / have the right to transfer or any subtle rights exist(s) for any body else also.
Whether the borrower (s) has / have the Capacity to transfer
Whether the consent of any person / authority to transfer the right by way of mortgage was necessary and if so, whether it has been obtained.

Whether All the necessary parties have been mentioned in the execution of the documents.

Whether the whole interest of the borrower in the property offered to the Bank, has been transferred.

Whether the identity of the property is maintained without alterations / additions / deletions.

Whether the document is genuine and has been duly stamped & executed.

Whether the borrower(s) has / have produced the Originals of all the material / essential documents relating to it.

Whether the facts and events material to tracing of the title have been significantly explained and furnished.

. Whether the property is free of encumbrances?
. Whether the ownership of the property as per Govt. / Municipal records also stand in the name of the borrower / guarantor.
13. All Govt. dues viz. Property Tax / Municipal Tax have been paid up to date.
14 . Operating Official to ensure all the above and confirm that the legal report clearly says that the present set of documents possess "a clear, absolute and Marketable Title" to the property offered as collateral to the Bank.

CHECKLIST FOR CREATION OF MORTGAGES

"Mortgage" is defined as transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or a future debt or the performance of an engagement which may give rise to a pecuniary liability. Mortgages can be an Equitable Mortgage or a Registered Mortgage.

1. Verify the tenure (Whether Freehold, Leasehold or State owned), valuation (From Valuer's Report) and title of the land / property (from the Legal Opinion)
1a In leasehold tenure, a No Objection Letter to the effect that the Lessor has no objection to the Lessee (Mortgagor) creating the mortgage in favour of the Bank and that the

Lessor will not exercise the right of forfeiture of the lease during the currency of the loan should be obtained.

1b In the case of State-owned land – ensure that the state laws permit the occupants to mortgage the occupancy rights in favour of the Bank.

2 . Regarding Valuation of Property, please note that
In a Company's Balance Sheet, the value of land will be at input cost (i.e) the Originalpurchase price less the amortization.
In case of leasehold properties, an estimate may be based on the annual rent, the valuation varying from 8 to 12 years rental according to the property.

3. Ensure the validity of the Title by reading through the legal opinion.
Whether the documents of title are complete in all respects and sufficient to convey a clear, absolute and marketable title to the property;

Whether the property offered as security to the Bank is unencumbered / unattached;

Whether the person(s) depositing the property with the Bank has a clear and marketable title thereto and is legally capable of creating the charge thereon in favour of the Bank;

Whether the property is subject to any tenancy law which will affect the bank's rights to eventually take possession thereof
No Taxes / public dues are outstanding on the property

Ensure that the place where the Title Deeds are deposited is a "Notified Centre" for creation of EM and

The property is situated anywhere in India
Not situated in areas where transfer of properties is prohibited by Central / State legislation.

Property is not situated in Cantonment areas
Arrange the necessary documents listed in the Legal Opinion in chronological order to create an effective mortgage.
Eg.a) Tax Receipt b) Possession Certificate, c) Location sketch, d) NonEncumbrance Certificate, e) Sale Deed / Partition Deed f) Parent document g) Any other document specifically listed by the Advocate

6 Ensure that the owner(s) of the property call at the Branch and deposit the title deeds in the presence of the Branch Manager, Divisional Manager and 2 employees of the Bank.

In case the immovable properties are of a Partnership Firm, ensure that all the partners join in the deposit of title deeds? If anyone is absent, then the attending partners should produce a letter of authority from the absentee partner(s) to make the deposit on his behalf with intent to create a mortgage.

In case of Limited companies, a Resolution passed by the Company in its General Body Meeting in terms of the provision of Sec. 293 (1) a of the Companies Act and another Resolution passed by the Board of Directors, authorizing a representative of the Company to make the deposit of title deeds with intent to create the mortgage in favour of the Bank, to be obtained.

This checklist is only indicative and has been prepared to assist the operating staff in their day-to-day work. For authentic instructions, a reference must be made to the relevant circulars / manuals **/ policy documents etc**

Ensure that the particulars of the deposit are recorded in the title deeds register as a Recital and these entries are verified by the BM / DM and signed by him and also two witnesses who are Bank employees.

The Mortgagor must not initial / attest / sign in the register or the Memorandum of deposit

9a Ensure that the particulars like the Names of the Borrower(s) / Guarantor, the capacityin which they execute the documents, Date of deposit, documents deposited are all entered on the leftside of the E M Register.

Ensure that the immovable properties have been described in the Recital with reference to their survey numbers, patta number, etc., along with their boundaries exactly as mentioned in the original title deeds.

Ensure to prepare Form A – letter confirming the deposit of title deeds with an intent to create the mortgage in favour of the Bank is obtained from the mortgagor as on a subsequent date. Ensure that the Mortgagor sends a copy of Form A to the Bank by Registered Post on a subsequent date.

This confirmatory letter – Form A is not required for a Limited Company

In case of pari-passu charges, a Recital or Memorandum must be recorded evidencing the deposit of title deeds and intention to create Equitable Mortgage, in addition to the letter extending the charge.
In case our Bank has only a second charge over the property, obtain a letter stating that the first charge holder agrees to hold the title documents for and on behalf of second / subsequent Mortgagee and not to deliver the title deeds to the depositor after the loan secured by the First mortgage is fully liquidated.

In case of a Registered Mortgage, ensure that the correct stamp duty {i.e. the higher of the following viz. a) at the place of execution or b) the Place of application} is arrived at.
Ensure that in case a Mortgage Deed has been executed, it is registered with the Sub-Registrar of Assurances, within 4 months & has also been attested by a minimum of 2 independant witnesses

Ensure, to obtain Search Reports in the following periodicity, in case of mortgage of immovable properties by Companies?

At the Pre-sanction stage

At the Post-sanction stage at the time of documentation

At the time of filing Bank's charge with the ROC, after documentation / disbursement
Before 6 months from the date of filing Bank's charge with the ROC?

At least once a year thereafter.

In case of Companies, particulars of EM created must be registered "ON LINE", with the ROC within 30 days of their creation in Form No. 8 & 13.

The Registration of Charge on the Assets of a Company, with ROC is done "online" using digital signatures of the Bank Officials.

DOCUMENTATION GENERAL CHECK LIST

Ascertain the constitution of the Unit viz. Proprietary, Partnership, Pvt. Ltd, Public Ltd. Company.

Identify the correct forms, which are to be executed by the signatories.

Read through the covenants of the loan and the nature of the facility to be extended.

List out the names of the Persons & their respective capacities in which they have to execute the documents.

If a person who has to execute any document is abroad, special precautions to be taken should be diarised.

Fill up the correct date and place of execution on the documents.

If a document is executed by a Power of Attorney (POA), whether the content of the POA covers the present transaction and is the valid POA on the date of execution of the documents – please check.

Ensure that the signatories have marked the capacities in which they are executing,by affixing suitable legend (like Father & Natural Guardian or affixing Rubber stamps in case of firms / Co.)

Get the self-attested Photograph of all borrowers / Guarantors, for affixing on the documents.

Ensure that the Borrower himself / herself is NOT signing any related document as "Witness".

Do Adequate & correct stamping either before or during the execution of documents itself.

If any document has been stamped outside India, has stamping of adequate value been done in India WITHIN 3 MONTHS of its arrival in India.

Ensure that all the revenue / adhesive stamps affixed are duly cancelled.

Ensure that all the stamped papers are duly filled in and bear continuous numbers.

Ensure that all the cuttings / overwritings / cancellations have been authenticated by the executant(s) under their full signatures.

Ensure the following

The entire document is filled in the same ink & in Uniform handwriting

All the pages of the document are signed in Full Name of the executant(s) in block letters is written on the last page of the document

The signatures should be of the same style throughout the document

Documents, if executed on various dates by various signatories, should bear the respective dates of their execution. (Under Law the document is said to have been duly completed only when it has been executed by the last of the persons).

Documents should not be ante-dated (if the date on the document is prior to the date of stamped paper or the purchase of stamps, it will be invalid)

Documents should not be double dated (e.g) 25 / 26-09-2009

Ensure that all the blank spaces, which have been filled up manually, have been authenticated by full signatures of all the executants.

Ensure that NO abbreviations are used either in the body of the document or in the schedules.

Ensure that:
ONLY the authorized officer signs the documents on behalf of the Bank
Signatures of the officers are On the last page of the document

And ONLY on the documents where it is needed

No Banker's signature is required on the Guarantee Agreement

This checklist is only indicative and has been prepared to assist the operating staff in their day-to-day work. For authentic instructions, a reference must be made to the relevant circulars / manuals **/ policy documents etc**

20 Ensure that If the executant is an illiterate person, his left hand thumb impresssion & in the case of woman, the right hand thumb impression has been obtained on all the documents & has been witnessed by 2 persons (of which one can be the Bank Official in whose presence the documents are being executed)
Ensure that all the insertions / deletions of alternate clauses in the document are authenticated by signatures / Thumb impressions (along the margins).

In case the signature is in a vernacular language or the document has been affixed with thumb impression of the Borrower / Guarantor, obtain a separate letter of declaration in the vernacular language confirming that the contents of the documents have been properly read and explained to the executants in the vernacular language and that the executant has affixed his thumb impression or signature in vernacular language only after understanding the nature and contents of the documents.

Ensure that One set of the Letter of Arrangement duly acknowledged by the Borrower(s) / Guarantor(s) / Third Party Mortgagor(s) is retained along with thedocuments.

Ensure that the brief particulars of the documents are recorded in the Cash Credit Register / Documents Executed Register, duly authenticated by the Officer(s) in whose presence the documents were executed.
With the Base rate being effective from 01.07.10, ensure to incorporate the relevant clause as detailed in e circular No.183 / 2010-11 dated 26.06.10 and 184 / 2010-11 dated 26.06.10and 208 / 2010-11 dated 01.07.2010

CHECKLIST FOR COMPANIES

1. Ensure availability of the copies of the following documents – with the certification that these are the true and correct, under the authentication of the Chairman / MD / Secretary of the Company.

Certificate of Incorporation (for Pvt. Co. & Public Ltd. Co.)
Memorandum of Association (M O A)
Articles of Association

. Ensure that the Borrowing Powers of the company are as per its MOA and the person creating the equitable mortgage has the powers to create the mortgage on behalf ofthe company.

. Ensure that the present advance is within the borrowing powers as per ceilings laid down under the Companies Act, 2013.

. Ensure that a copy of the Board Resolution (in the Bank's prescribed format) authorizing the Board to borrow has been received and kept on record.

. Ensure that the overall borrowings of the company are within the statutory restriction on the borrowing powers of a Company as contained in Section 293 (1) (d) of the Companies Act, 2013.

Ensure that If the loan is guaranteed under Sec 372 A of Companies Act 1956, whether the stipulations contained under the provisions have been complied with.
The Common Seal is the official signature of the Company. (Company Act 2013 does not make it compulsory for a company to have a common seal)

Ensure that the documents have been executed by a Limited Company in any one of the following manner:
By affixing Common Seal under a Resolution of the Board of Directors and in accordance with the Articles of Association of the Company. **(OR)**

Under the signature(s) of a person(s) duly authorized by a Resolution if the Articles of Association so provide. **(OR)**

By a Power of Attorney holder under the powers granted by the Company.

Ensure that the Directors of the Company, in their representative capacity, have physically signed on the document to endorse the Affixing of the Common Seal of the Company.

Ensure that the Common Seal is made of Hard Metallic substance only and is not a rubber stamp.
Ensure that the Company's Articles of Association have been perused for ascertaining as to the class of documents, which are to be affixed with the Common Seal.

Ensure that a search has been conducted at the Office of the ROC to ensure that there are no Outstanding or intervening charges on the assets which are proposed to be charged to the Bank and the search should cover the period up to the date of creation of the charge since incorporation of the Company.
Ensure that the search at the office of the ROC is conducted at the time of each enhancement / renewal of the loan availed by the Company.

Ensure that in case of Immovable property charged to us, a search in respect of such property should also be made in the office of Sub-Registrar of Assurances, Municipal, Panchayat and other revenue offices in addition to the search in the Office of the ROC. (Generally, in the case of immovable property, a search should be conducted for a period of **30 years** to the date of creation of charge in favour of the Bank)

Diarise for noting the charges on the immovable property with the ROC well before the 30-day deadline (from the date of execution of documents).

This checklist is only indicative and has been prepared to assist the operating staff in their day-to-day work. For authentic instructions, a reference must be made to the relevant circulars / manuals **/ policy documents etc**

Ensure to do the following:

The prescribed particulars together with copy of the instrument creating the charge / modification of charge are filed "ON LINE" with the Registrar of Companies in Form 8 and Form 13 in triplicate;

Form 8 and Form 13 are to be signed on behalf of the Company and the Bank.

The Registrar of Companies affixes the stamp on the relative Forms and accompanying instruments with the word 'Registered' under his signature & date and serial number and a copy thereof be delivered to the Company and the Bank

Diarise to make a search once again in the office of the ROC, within 6 months of the filing of the charge.

Ensure that Search Report from the Company Secretary / Chartered Accountants is obtained regarding all such charges in favour of various creditors including the Bank.

CHECKLIST FOR PARTNERSHIP (FIRMS)

Examine The Partnership Agreement to ascertain

Details of the persons who have entered into such partnership,

The object or the purposes for which it is formed,

The restrictions imposed on the rights of the partners to borrow or to operate the bank accounts, The Powers to borrow / stand as Guarantor and

The conditions relating to retirement, death or insolvency of partners on the status or continuance of the partnership in such events.

The powers of the Newly admitted Partner(s).

Ensure that there are NO minor Partners. And if there is a Minor Partner, have it diarised well before the date of his attaining majority to ascertain his inclination to continue in the partnership or otherwise.

Ensure that there is NO "Trust" has been included as a partner.

In case a HUF has been included as a Partner, have all the Coparceners therein have been counted individually to arrive at the total number of partners of the Firm & ensure that it does not cross the overall limit regarding the number of partners as per the Partnership Act?

Ensure that the "Partnership Letter" in the standard format been executed by **ALL** the partners of the Firm.

Individual Guarantee of each of the Partners been taken to have a first charge on their property for the Bank's dues.

In case a firm is reconstituted, a stamped letter of Continuing guarantee been obtained from the partners of the Reconstituted Firm.

Ensure that a similar (as in co. 8 above) and suitable letter of Continuing guarantee been obtained to cover the existing charges created by the Firm.

In case of immovable property of Partnership Firm, all the partners should join in the deposit of title deeds

All the partners to execute the documents in their individual capacity as also on behalf of the Firm.

In case of a Partnership with a Limited Liability, care should be taken to protect the Bank's interest.

CHECKLIST FOR TRUSTS

For Trusts, there must be a specified Manager who may be the Trustee himself or an employee or an outsider.

Peruse the Trust Deed to ascertain the exact purpose of creation of the Trust.

Peruse the Trust Deed to ensure that the loan being availed is for the purpose of the Trust and not for any other purpose.

This checklist is only indicative and has been prepared to assist the operating staff in their day-to-day work. For authentic instructions, a reference must be made to the relevant circulars / manuals **/ policy documents etc**

Ensure to accept Guarantee of the Trust only, if it is explicitly permitted in the Trust Deed.

CHECKLIST FOR CO-OPERATIVE SOCIETIES

In case of lending to Co-operative Societies, the factors to be ensured are:

Whether the lending is to the Cooperative Society OR Whether the lending is to the members of the Co-operative Society

If it is lending to the Members of the Cooperative Society, it should be ensured

That an 'Affidavit' is taken from ALL the members of the Society

They are members of the same Cooperative Society

In case of a conflict as to the provision between the Central and the State Law on matters relating to Co-op. societies, ONLY the Central Laws shall Prevail.

CHECKLIST FOR INSPECTION OF UNITS

Take a copy of the latest Stock Statement of the Unit & also the immediate previous stock statement.

Ensure that If limits granted on the basis of book debts, then list of Debtors (classified age-wise / country-wise)

Make a Note of the details viz.

a) The Latest Limit, b) Drawing power, c)Outstanding, d) Notes on the promises made during last visit & notings made during the last inspection, e)Average Sales (Monthly) as per "projections' given, f) No. of Shifts / Average employees during each shift, g) Average Creditor and Debtor Level, h) Rejection Level / Sales Returns data

Observe & make a note of the present 'Activity level" at the Unit (No. of shifts worked, Avg. No. of employees, Sales, Creditor elves, Debtor level) & compared with the previous levels

Ensure that all the machineries are in effective use.

a . Ascertain any machinery discarded if so How the Sale Proceeds were utilized

b. Similarly ascertain if any machinery has been purchased new – if so what was thesource of funds for the purchase

Observe about the labour situation and also make casual but purposive enquiries thereon.

Notice the Key change in Management Positions within the Unit.

Observe the Production levels & make a critical comparison with the "Projections". If substantial variance observed, then reasons for the shortfall ascertained and made note of. Note the quantity of Rejections / Sales returns, ascertain reasons, compare with data for the previous month / quarter.

Notice the Average Sales levels and make a critical comparison with the 'Projections' / check for the reasons.

Conduct a random check of the stocks with focus on
The present levels of stocks should commensurate with production cycles

Quantity of slow-moving items should be minimum or nil

Inclusion of obsolete items as part of stocks – should not be done
Sudden but phenomenal increase / decrease in stocks in comparison to those as per latest stock statement – the reasons should be clarified with the borrower
Ensure that the 'Statutory Dues" like PF, ESI, Sales Tax, Income Tax, Property Tax, EB dues etc have been paid and are evidenced by presence of receipts thereof on record.

Observe that books of accounts are written-up, up to date.

If accounts remain irregular, then a meaningful discussion on regularization of accounts to be held with borrower / executives.
Make a note of any difficulty in verifying stocks / book debts or in carrying out inspection at the Unit.

Ensure that
The commitments given during last inspection have been met or acceptable reasons for not meeting the commitments given.

Ensure that the suggestions given by the Bank during last inspections have been implemented.

Record any positive / negative developments that are likely to befall the Unit.

Discuss the adverse features observed during Inspection with the borrower / executives of the Unit.
Submit the observations regarding the inspections holistically to the next higher authority in the prescribed format and in time.

Ensure to record the visit in the Inspection Register maintained at the Bank as well as in the Unit Inspection Register at the Unit and NOT in any other forms / registers of the Unit thereat.

CHECKLIST FOR POST-SANCTION
1 Convey sanction of the Loan & also detailed Terms & Conditions of loan to the borrower.
Put up Control Returns to next higher authority.
Ensure correct and complete documentation & their safe custody.

Diarise for Periodic Renewal of the Limit. (In case of Cash Credit) & for Annual Review of accounts (in the case of Term loans)
Complete all formalities with creation of Charge (including registering with ROC).

Ensure that a search has been conducted at the Office of the ROC to ensure that there are no outstandings or intervening charges on the assets which are proposed to be charged to the Bank and the search should cover the period upto the date of creation of the charge since incorporation of the Company.

In the case of an immovable property a search in respect of such property should be made in the office of the Sub-Registrar of Assurances, Municipal, Panchayat and other Revenue Offices in addition to the search at the office of the ROC, for a minimum period of 30 years.
The prescribed particulars together with a copy of the instrument creating the charge should be filed with the ROC in Form 8 and Form 13, in triplicate.

Form 8 and Form 13 are to be signed on behalf of the Company and the Bank.
The Registration of Charges should be completed "ON LINE", within a period of 30 days from the date of execution.

Diarise to make a search once again in the Office of the ROC within 6 months of the Charge creation and to have a Search Report from the Company Secretary / Chartered Accountant regarding all the charges.
Conduct verification of charges with the Office of the ROC .
Diarise & conduct Inspection of the Unit at laid down periodicity.
Ensure obtaining of stock statements at stipulated intervals & also on Balance Sheet date.

9 . Ensure receipt of Annual Financial Statements & renewal of limits.
Receive and process other Financial statements like QIS / FFR / Cash Budget, wherever stipulated as a part of the covenant.
Scrutinize the accounts to watch for proper conduct of loan account.
Ensure periodical verification of assets charged to the Bank to ensure availability of assets and safety of funds lent.
Maintain contact with the borrowers on an on-going basis to keep abreast of developments in the business and the prospects of the industry
Secure and ensure of adequate and continuous Insurance cover of the securities charged to the Bank.

Be on the watch to capture 'warning signals' if any viz
Delay in execution of projects
Sudden changes in business environs
Shortfall in achieving 'Projected' business levels
Default in meeting payment obligations to creditors / Bank
Any other adverse features in the conduct of the account / Unit Advise borrowers on the unsatisfactory features regarding the Unit / account and timely reporting to Controllers.
Ensure initiation of appropriate corrective action by the Unit on the unsatisfactory features reported.
Ensure obtaining "Refinance" from the concerned agencies, wherever applicable.
Ensure proper maintenance of files / records regarding the Unit for inspection by both internal and external Authorities.
Ensure Collection, Collation and submission of required data relating to the Units to both internal and external Authorities.

Ensure that request for Excess drawings are processed and efforts taken to follow them up till regularization.

Follow up and ensure rectification of irregularities pointed out in the various Inspection / Audit Reports.
Ensure that all charges due to the Bank have been recovered from the Unit &also ensure against income-leakage of any nature from the Unit / account.
Ensure correct classification of the Unit's A / c as per IRAC norms and followed up wherever warranted.

Scrutinize all periodic statements submitted by the Unit.

Ensure that the Security documents are current and enforceable.

SYNOPSIS OF VARIOUS PRODUCTS:-

PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP):

• Purpose: Generation of employment opportunities in rural and urban areas through establishment of micro enterprises Provide continuous and sustainable employment Arrest migration of rural youth to urban areas Increase wage earning capacity of artisans Khadi and Village Industries Commission (KVIC) is the Implementing Agency for Prime Minister's Employment Generation Programme (PMEGP)

• Eligibility: Any individual, above 18 years of age No income ceiling SHG, Charitable Trusts, Co-op Societies & Institutions registered under Societies Act,1860

• Quantum of Loan: Maximum cost of the Project: Rs. 25 Lakhs under Manufacturing sector Rs. 10 Lakhs under Trade / Service sector

• Rate of interest: Normal rate of interest applicable.

• Repayment period: 3 to 7 years after an initial moratorium period of maximum 12 months

• Collateral security: No collateral security for loans upto Rs 10 lakhs

• Margin: General category 10% of the project cost Special category 5% of the project cost [SC / ST / OBC / Minority / Women / Ex-servicemen, Physically Handicapped, Hill & Border area]

• Subsidy 15% to 35% of the project cost (Depending on general / special category)

MUDRA:

Pradhan Mantri Mudra Yojana (PMMY) was launched by Hon'ble Prime Minister on 8th April, 2015 to "fund the unfunded", i.e. to provide credit to micro enterprises / units in the country.

• Eligibility: Income generating non-farm activity in manufacturing, trading and services sector whose loan requirement is upto Rs. 10 lakhs

• Quantum of Finance: Maximum upto Rs. 10 Lakhs. Further classified under 3 categories namely SHISHU: up to Rs.50,000 only; KISHORE: above Rs.50,000 and upto Rs.5 lakhs; TARUN: above Rs.5 lakhs and up to Rs.10 lakhs.

• Facility: Term Loan and Working Capital

• Interest Rate: Interest Rates are linked to MCLR

• Processing Charges and Margin: Nil for SHISHU Loans

• Repayment Period: Working Capital: Repayable on demand. Term Loan: 3 5 years including a moratorium of upto 6 months.

• Collateral: Nil

• MUDRA Card: MUDRA Card is a RuPay debit card which enables the borrower to avail credit in a hassle free and flexible manner against their CC / OD accounts. It can be used for drawing cash from ATM or Business Correspondent or make purchase using Point of Sale (POS) machine.

• For loans under PMMY, applicants can also apply on-line through SIDBI's Stand up India portal namely www.standupmitra.in

STAND UP INDIA:

The Stand up India scheme was launched by the Prime Minister on 05.04.2016. The scheme endeavours to provide finance to SC, ST and women entrepreneurs.

• Objective: Under Stand Up India Scheme, loan is sanctioned between Rs. 10 lakhs and Rs. 1 crore to Scheduled Caste (SC) /

Scheduled Tribe (ST) / women borrower for setting up a Greenfield enterprise. The enterprise may be in manufacturing, services or the trading sector (except farm sector).

• Purpose: To meet all kinds of credit requirement for setting up the Greenfield projects under manufacturing, services or the trading sector

• Types of Facilities: Composite Loan (Working Capital facilities / Term Loan)

• Quantum of Finance: Minimum More than Rs. 10 lakhs Maximum Rs. 1 crore.

• Interest Rate: Interest rates will be linked to MCLR • Margin: 25%.

• Repayment Period: Working Capital: One year Term Loan: Max. of 7 years

• Collateral: Nil if Guarantee coverage is available

• For loans under SUI, applicants can apply on-line also through SIDBI's Stand up India portal namely www.standupmitra.in

ELECTRONIC DEALER FINANCING SCHEME

• Purpose: To provide finance to authorized Dealers / Stockist / Distributors of large industry majors.

• Eligibility: Dealers of identified Industry Majors

• Amount of facility: Need based

• Margin: Nil (100% funding)

• Security: Primary: 100% hypothecation of stocks financed and receivables Collateral : Minimum 25% or Nil

• Rate of Interest: Lowest Rate of Interest linked to MCLR

ELECTRONIC VENDOR FINANCE SCHEME

• Purpose: To provide finance to vendors / suppliers of large Industry Majors.

• Eligibility: Suppliers / Vendors of identified Industry Majors

• Amount of facility: Need based

• Margin: Nil (100% funding)

• SecurityPrimary: 100% hypothecation of stocks financed and receivables Collateral : Minimum 25% or Nil

• Rate of Interest: Lowest Rate of Interest linked to MCLR

eSmart SME

• Purpose: An online solution to provide working capital finance to those who are engaged in selling through online platform of e-tailers (like Snapdeal, Flipkart, Paytm, etc.)

• Target Group: Sellers of online platform of e-tailers / market place (like Snapdeal, Flipkart, Paytm, etc.)

• Quantum of finance: Loans up to Rs.25.00 lacs.

• Facility: Cash Credit

• Interest Rate: Special concession in interest rates for women entrepreneurs.

• Collateral Security: Nil

• Entire process is seemless and online.

• Quick centralised sanction (Please contact your e-tailer for availing)

ASSET BACKED LOAN (ABL)

• Purpose: For build-up of current assets and fixed assets needed for business purpose, capacity expansion, modernization, etc.

• Target Group: All business units who want to avail loan facility for manufacturing trading and services activities along with self-employed and professional individuals.

• Quantum of finance: Upto Rs. 20 crores

• Facility: Drop Line Overdraft facility

• Interest Rate: Competitive interest rates linked to MCLR

• Repayment period : Long repayment period (up to 15 years)

• Less paperwork and hassle free assessment

• Interest computation on daily reducing basis

ASSET BACKED LOAN FOR COMMERCIAL REAL ESTATE (ABL-CRE)

● Purpose: For construction / acquisition of real estate both residential and commercial
● Target Group: Proprietorship / Partnership / Company
● Quantum of finance: Upto Rs. 50 crores
● Facility: Drop Line Overdraft facility
● Interest Rate: Competitive interest rates linked to MCLR
● Repayment period: Long repayment period (up to 8 years)
● Less paperwork and hassle free assessment

SBI FLEET FINANCE SCHEME

● Purpose: To finance the fleets in the Medium Fleet Operator (MFOs) and Large Fleet Operator (LFOs) segment
● Target Group: Existing Fleet Operators & Captive Users, Business Enterprises, Contractors, Mine owners, Port Owners / Operators etc.
● Eligibility: Minimum 3 years of experience in transport industry and other business
● Quantum of Finance: Upto Rs. 10 crores ● Interest Rate: Competitive interest rates linked to MCLR
● Repayment period: Upto 66 months

SBI SHOPPE SCHEME

● Purpose: For Purchase of premises for new or old shops / establishments / offices. Expansion / Addition / Alteration / Modernization / Renovation / FaceLifting of the above types of business premises
● Target Group: SMEs, SSSBEs, self-employed and professional persons, etc.
● Quantum of finance: Maximum loan upto Rs. 20 Lacs
● Repayment period: 3-7 years
● Interest Rate: Low interest rates linked to MCLR
● Facility: Term Loan
● Low margin requirements

COMMODITY BACKED WAREHOUSE RECEIPT FINANCING

● Purpose: Easy and convenient financing solution to unlock value in stock of commodities held with the accredited godowns / warehouses and provide quick finance against these goods
● Target Group: Traders / manufacturers owning the commodities
● Quantum of finance: 70% to 80% of the value of goods subject to conditions
● Facility: Demand Loan / Cash Credit
● Repayment of Demand Loan: As and when the produce is sold during interim period.
● Interest Rate: Competitive interest rates linked to MCLR
● Concession in processing charges, upfront fees & DD / BC / Cheque collection charge.

SBI MEDICAL EQUIPMENT FINANCE SCHEME

● Purpose: For funding of equipments and purchase of ancillary medical equipments
● Target Group: Nursing Homes, Diagnostic Centers, Pathology Laboratories, Eye Centers, ENT Centers, Small & medium size Specialty clients like Skin Clinics, Dental Clinics, Dialysis Centers, Endoscopy Centers, IVF Centers etc., Medical Practitioners & Pharmaceutical Manufacturers
● Quantum of Finance: Upto. Rs. 20 crores
● Margin: 20% to 25% (based on score)
● Facility: Term Loan for purchase of equipments & funding of ancillary equipments
● Interest Rate: Competitive interest rates linked to MCLR ● Repayment period : Loan is repayable in 3-7 years
● Special concessions under tieup with Phillips India Ltd

DOCTOR PLUS SCHEME

- Purpose: To finance qualified medical practitioners, for buying equipments, setting up clinic, nursing homes / pathlabs / drug store / ambulance / computers / vehicles and expansion / renovation / modernization of existing premises etc.
- Target Group: Medical Practitioners of any discipline, promoters of hospitals and nursing homes, pathological clinics, polyclinics, X-Ray labs, etc.
- Quantum of Finance: Upto Rs. 10 crores
- Facility: Medium Term Loan and Cash Credit • Interest rate: Competitive interest rates linked to MCLR
- Margin: Low margin requirements
- Repayment period: Long repayment period (up to 7 years)

SCHOOL PLUS

- Purpose: For purchase of land for building / playground, construction of school building / auditorium, repair / renovation of existing building, purchase of computer and related equipment etc.
- Target Group: Primary and Higher Secondary Schools, Graduation, Under-Graduation and Post-Graduation Colleges
- Quantum of finance: There is no upper ceiling in loan amount
- Facility: Term Loan
- Interest Rate: Competitive interest rates linked to MCLR
- Margin: Low margin requirements
- Repayment period: 3-7 years

SBI CONSTRUCTION EQUIPMENT LOAN (SBI-CEL)

- Purpose: Funding purchase of new construction equipments, construction activities like Mining, material handling, earth moving, etc.
- Target Group: Existing construction equipment owners, mine owners, contractors, builders, port operators along with other captive business owners.
- Quantum of finance: Minimum loan amount: Rs. 25 lacs.
- Facility: Term Loan Dropline Overdraft facility.
- Interest Rate: Competitive interest rates linked to MCLR.
- Repayment Period: upto 4 years.
- Margin: Low margin requirements

FRANCHISEE FINANCING

- Purpose: Funding of project capex cost - setting up / construction / renovation activity including furniture, interior, AC, DG set, Franchisee fee etc and working capital.
- Target Group: Franchisee outlet of well known business chains.
- Interest Rate: Attractive rates of interest
- Repayment period: Long repayment period & customised EMIs
- Margin: Min 33.33%
- Collateral: No collateral for loans up to Rs.10.00 lacs.
- Loan applications to be routed through and recommended by franchisors.

TAXI AGGREGATOR

- Purpose: Finance to Drivers working for OLA / UBER Cabs. To finance purchase of new vehicles by the drivers / owners identified by OLA / UBER cabs
- Target Group: Drivers using OLA / UBER Cabs platform.
- Quantum of finance: Upto Rs.10 Lacs (OLA / UBER) per vehicle
- Interest Rate: Highly competitive
- Repayment period: Up to 5 years.
- Moratorium period: one month.
- Collateral Security: lNil.
- Margin: 10% 25 % (of on road price) for different categories of applicants based on their experience and product type.
- Authorised branches: Available at select centres.

Guaranteed Emergency Credit Line (GECL)

Purpose :
To provide a pre-approved sanction limit of up to 20% of loan outstanding as on 29th February, 2020 to eligible borrowers, in the form of additional working capital term loan, to eligible Business Enterprises (BEs)/ Micro, Small and Medium Enterprise (MSME) borrowers, including interested PMMY borrowers, in view of COVID-19 crisis, as a special Scheme.

Eligibility :
1. All borrower accounts (BEs/ MSMEs) with combined outstanding loans of up to Rs. 25 crore as on 29.2.2020, and annual turnover of up to Rs.100 crore in the previous financial year (2019-20) are eligible for GECL funding under the Scheme. In case accounts for FY 2019-20 are yet to be audited /finalised, the Bank may rely upon Borrower's declaration of turnover.
2. Loans provided to Business Enterprises / MSMEs constituted as Proprietorship, Partnership, registered company, trusts and Limited Liability Partnerships (LLPs) shall be eligible under the Scheme.
3. Business Enterprises / MSMEs would include loans covered under Pradhan Mantri Mudra Yojana extended on or before 29.02.2020 and reported on the MUDRA portal.
4. Total Outstanding Amount would comprise of the on balance sheet exposure. Off-balance sheet and non-fund based exposures will be excluded.
5. The Scheme is valid only for existing customers on the books of the MEMBER Lending Institutes, as on 29.02.2020.
6. Borrower accounts should be less than or equal to 60 days past due as on 29.02.2020 in order to be eligible under the Scheme.
7. For loans having co-applicant, only those existing loans where entity is the primary co-applicant are covered under the Scheme for additional emergency funding.
8. In order to be eligible, the borrower must be GST registered in all cases where such registration is mandatory. This condition will not apply to borrowers that are not required to obtain GST registration.
9. Loans provided in individual capacity are not covered under the Scheme.
10. To be eligible under the Scheme it is not necessary that the existing loans of the borrowers should be covered under the ECLGS of NCGTC.
11. Borrower accounts which had NPA or SMA-2 status, as on 29.02.2020 shall not be eligible under the Scheme.

Loan Amount :
Maximum up to 20% of the entire fund based outstanding as on 29.02.2020. The maximum is Rs. 5 cr.

Disbursement : Maximum in four tranches

Repayment :
1. Tenor: Maximum 4 years from the date of disbursement.
2. Moratorium: 12 months for principal only, interest is payable at monthly intervals
3. The principal shall be repaid in 36 equal installments after the moratorium period is over.
4. Interest to be serviced as and when applied.
5. Pre-payment of facilities to be allowed at no additional charge to the borrower.

Margin : Nil

Interest Rate :
a) EBLR (presently 7.05%) + 75 bps, present effective 7.80% , b) Maximum 9.25% p.a, during the entire tenor

Sanctioning Authority :-

BPR Centre:

Sanctioning Authority	Loan amount under the product GECL (irrespective of units Exposure)	Control by
Manager (SMEC/ RASMEC/ Credit cells)	upto Rs 10 lacs #	Chief Manager (SMEC/ RASMEC/ Credit Cells)
Chief Manager (SMEC/ RASMEC/ Credit Cells)	upto Rs 50 lacs #	Regional Manager/ AGM (SMEC/RASMEC/ Credit Cells
Branch Head (DGM/ AGM/ CM/ CM* (Credit & NPA) at RBO	upto Rs. 5 crore	GM (NW)/ DGMs (B&O)/ RM (RBO)

#For accounts sanctioned and maintained at SMEC/ RASMEC/ Credit Cells. * CM (Credit & NPA) for accounts handled by RMSME and parked in branches with incumbency of Branch Head of the Home branch being below

Scale IV :

Non-BPR Centres (accounts not linked to RACC):

Sanctioning Authority	Loan amount under the product GECL (irrespective of units Exposure)	Control by
Scale II (Branch Head)	upto Rs 40 lacs	CM Credit & NPA (RBO)
Scale III (Branch Head)	upto Rs 2 crore	CM Credit & NPA (RBO)
CM Credit & NPA (RBO)*	upto Rs 5 crore	RM (RBO)
Branch Heads (AGM/CM)	upto Rs 5 crore	DGM (B&O)/ RM (RBO)

** Loan amount above sanctioning powers of Scale-II/ III branches & for Scale-I Branches*

RACC at Non-BPR Centres:

Sanctioning Authority	Loan amount under the product GECL (irrespective of units Exposure)	Control by
CM RACC*	upto Rs 5 crore	RM (RBO)

** For accounts linked to RACC*

Documentation / ROC Charge (if applicable :

I. Documentation: As per SME documentation

II. ROC Charge (if applicable): As per extant instructions of the Bank

III. Branches shall also ensure to stipulate in the agreement with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee, with itself or in favour of any other creditor(s) without intimating the Trustee Company. ***(All documentation formalities are to be completed before disbursement.)***

Security : 1. The additional WCTL facility shall rank pari-passu with the existing credit facilities, in respect of underlying security as well as cash flows for repayment. **2.** Charge on the assets financed under the Scheme is to be created within a period of three months from the date of disbursal. **3.** No additional collateral shall be asked for additional funding under GECL

Processing fee/ Prepayment penalty/ Penal interest/ Other Charges(EM/ Documentation charges /Facility fee etc /Guarantee Fee payable to credit guarantee trust : NIL

Extent of guarantee Coverage : National Credit Guarantee Trustee Company Ltd (NCGTC) shall provide 100% Guarantee coverage on the outstanding amount for the credit facility provided under the scheme as on the date of NPA.

IRAC Status : As per Reserve Bank of India extant norms on income recognition, asset classification and provisioning will be applicable.

Appraisal/ Assessment/ other instructions : 1. The amount of Pre-approved GECL funding to eligible borrowers in the form of additional working capital term loans would be up to 20% of their entire outstanding credit as on 29th February 2020 up to Rs. 25 crore, subject to the account being less than or equal to 60 days past due as on that date. The Pre-approved GECL to an individual borrower shall therefore not exceed Rs. 5 Crore. **2.** In case of MBA/ Consortium arrangement then each lender will approve GECL to the extent up to 20% outstanding in their books. **3.** The facility will be a pre-approved sanctioned limit.

Inspection : Pre-sanction inspection for enhancement in limits is waived. Upon lifting of lockdown, inspection to be done within 3 months after disbursal.

Insurance : Insurance as per Banks' norms.

Other : 1. The guarantee provided under this Scheme may be invoked by the Bank on the loan account under GECL turning into NPA, provided that the said loan account was covered under ECLGS at the time of the account turning NPA. **2.** NCGTC shall pay 75% of the guaranteed amount within 30 days, the balance 25 per cent of the guaranteed amount net of recovery will be paid on conclusion of recovery proceedings or till the decree gets time barred, whichever is earlier. **3.** Any amount recovered over and above 25% of the guaranteed amount shall be remitted to NCGTC by the Bank.

Validity of Scheme : Scheme is valid upto 31.10.2020 or on reaching the threshold stipulated as per scheme under the GECL, whichever is earlier.

Facility Type : Fund Based -Working Capital Term Loan

Reference Circular No: - Circular No.: NBG/SMEBU-SME ADVANC/19/2020 - 21 Date: Tue 26 May 2020