

# *CREDIT POLICY*

*2021-22*



*LOAN POLICY FOR  
DOMESTIC  
BRANCHES*

“

*Management of loan portfolio  
with emphasis on  
maintaining asset quality*

# FOCUS SECTORS

- ▷ AGRICULTURE
- ▷ MICRO SMALL & MEDIUM ENTERPRISES
- ▷ HOUSING & OTHER RETAIL
- ▷ MID - CORPORATE
- ▷ EXPORTS
- ▷ TRADE & SERVICES

# NEW BUSINESS GROUP

- ▶ IN-PRINCIPLE ACCEPTANCE OF THE CLIENT BEFORE SUBMISSION OF PROPOSAL
- ▶ ACCEPTANCE OF THE BORROWER, LEVEL OF EXPOSURE & PRICING
- ▶ VALIDITY OF NBG CLEARANCE - 90 DAYS
- ▶ NBG CLEARANCE BY FGMO / CO - NO NEED FOR ADMINISTRATIVE CLEARANCE SEPARATELY

# NEW BUSINESS GROUP

## ▷ APPLICABLE FOR

- ❖ FRESH PROPOSALS OF NEW BORROWERS SEEKING CREDIT FACILITIES OF ABOVE Rs 10 CRORES
- ❖ ENHANCEMENT PROPOSALS - ENHANCEMENT OF MORE THAN 25% OF THE EXISTING CREDIT EXPOSURE, SUBJECT TO MINIMUM OF Rs.50 CRORE.
- ❖ STRESSED SECTORS (NEGATIVE & EXTREMELY NEGATIVE OUTLOOK BY RMD) - FRESH / ENHANCEMENT SANCTION OF Rs.10 CRORES & ABOVE

# NEW BUSINESS UNDER CONSORTIUM / MBA

- ▶ CREDIT LIMITS UPTO Rs.10 Cr – SOLE BANKING PREFERRED
- ▶ FRESH EXPOSURE OF Rs.500 Cr (FB + NFB) & ABOVE - UNDER CONSORTIUM ; EXEMPTION - NBFC WITH EXTERNAL RATING OF A & ABOVE, PSUs & MFIs
- ▶ FRESH EXPOSURE UNDER CONSORTIUM - MIN 10% OF THE TOTAL EXPOSURE (FB + NFB). RELAXATION FROM APPROPRIATE AUTHORITY

# CORPORATE LOANS

- ▶ COMBINED INTERNAL RATING OF IB - BBB & ABOVE - EXISTING & NEW CUSTOMERS
- ▶ ELIGIBILITY - ALL CORPORATE & NON CORPORATE BORROWERS (PARTNERSHIP & LLP).
  - MSME - MEDIUM ENTERPRISES ONLY
- ▶ MIN - Rs.1 Cr ; MAX - NO CEILING
- ▶ TENOR - MIN 6 M; MAX 5 YEARS
- ▶ PURPOSE - IMPROVE NWC / ANY BANKABLE PURPOSE AIMED AT BUSINESS DEVELOPMENT
- ▶ TAKE OVER OF CORPORATE LOAN - NOT PERMITTED
- ▶ UNSECURED CORPORATE LOAN - COLCC (ED ) & ABOVE



## MID CORPORATE SECTOR

- Mid corporate segment is identified for exposure Rs 25 Crore to less than Rs150 Crore both FB +NFB (including NBFC/Infrastructure).

## LARGE CORPORATE SECTOR

- Large corporate segment is identified for exposure Rs 150 Crore (FB+NFB)& above(including NBFC/Infrastructure).

# CREDIT INFORMATION REPORTS

1. Consumer/ Commercial credit reports to be obtained from Credit Information Bureau's website, (at present CRIF HIGHMARK/ CIBIL/ EXPERIAN/EQUIFAX) in the case of all new accounts and existing accounts (at the time of renewal).
2. Minimum 2 Commercial Credit Information reports (CIR) should be obtained for corporate borrowers with exposure of Rs. 5 Crore and above. CIR on Directors of the corporate borrowers are also to be obtained .
3. The consumer credit report shall be obtained in respect of the proprietor, partners, directors, guarantors etc. and also the commercial entity.

## GREEN FIELD PROJECT

- New Projects starting from Zero level.
- Ensure that the promoters who are entering such new field are having adequate business experience

## BROWN FIELD PROJECT

- Expansion of Project at the same site using basic infrastructure of the existing Unit

# TIME NORMS FOR DISPOSAL OF CREDIT APPLICATIONS

## ▷ MSME SECTOR

| AMOUNT                                     | TIME NORM FOR DISPOSAL |
|--|------------------------|
| Loans up to Rs.5.00 Lakh                   | Within 2 weeks         |
| Above Rs.5.00 Lakh and up to Rs.25.00 Lakh | Within 3 weeks         |
| Above Rs.25.00 Lakh                        | Within 6 weeks         |

# TIME NORMS FOR DISPOSAL OF CREDIT APPLICATIONS

## ▷ OTHERS

| AMOUNT  | TIME NORM FOR DISPOSAL |
|---|------------------------|
| Approvals to be granted by the Branch Managers  | Within 30 days         |
| Approvals to be granted by the ZLCCs/FGMCAC     | Within 45 days         |
| Approvals to be granted by the Corporate Office | Within 90 days         |

# TIME NORMS FOR DISPOSAL OF CREDIT APPLICATIONS

## ▶ JOINT LENDING ARRANGEMENT

| AMOUNT  | TIME NORM FOR DISPOSAL   |
|---|--|
| Fresh / Enhancement proposals (including Export Credit)     | Within 90 days   |
| Renewal of existing credit limits (Including Export credit) | Within 45 days   |
|   | from the date of applications / proposals received together with required details / information supported by requisite financial and operating statements by the Lead Bank |

# UNUTILISED LIMITS

- ▶ TERM LOAN - WITHIN A MAXIMUM PERIOD OF SIX MONTHS FROM THE DATE OF SANCTION
- ▶ WORKING CAPITAL - WITHIN A MAXIMUM PERIOD OF THREE MONTHS FROM THE DATE OF SANCTION
- ▶ BEYOND THE ABOVE PERIOD - REVALIDATION FROM THE SANCTIONING AUTHORITY REQUIRED , PROVIDED THE BORROWER REQUESTS

# CMA FORMAT / AUDITED FINANCIALS / PROJECTIONS

- ▶ AUDITED FINANCIAL STATEMENTS - WORKING CAPITAL AND / OR TL OF Rs.20 LACS AND ABOVE OR UNITS HAVING TURNOVER OF Rs. 1.00 CRORE & ABOVE
- ▶ CMA FORMAT - CREDIT LIMITS OF Rs. 5.00 Cr & ABOVE



# BANK GUARANTEE

## ▶ TYPES

- ❑ PERFORMANCE GUARANTEE
- ❑ MONEY GUARANTEE / FINANCIAL GUARANTEE
- ❑ DEFERRED PAYMENT GUARANTEE
- ▶ BANK GTEE MORE THAN 10 YEARS - APPROVAL FROM CO REQUIRED
- ▶ GTEES ISSUED FOR < 10 YEARS AND RENEWED THEREAFTER WILL NOT BE TREATED AS GUARANTEES MORE THAN 10 YEARS
- ▶ GUARANTEES TO BE ISSUED AS PER IBA FORMAT , ELSE APPROVAL REQUIRED FROM CO / ZO : LEGAL

# Loan System for Delivery of Bank Credit

1. Applicable for borrowers enjoying aggregate FB working capital limits of Rs.150 crore and above from banking system.
2. Export and Bills finance are excluded.
3. 60% of working capital including adhoc limits/ TOD if any, will be in the form of Working Capital Loan.
7. The repayment of Working capital loan can be in installments or bullet payment.
8. Credit facilities extended to State/Central Government agencies and Food Corporation of India for procurement / price supporting activities are exempted from the above guidelines.

# TEV STUDY REPORT

- ▶ **For credit proposals up to Rs 25.00 cr.**
  - ▶ No separate viability report need be insisted upon. The viability can be assessed based on the project report / credentials submitted by the applicant apart from the due diligence / market report etc.
- ▶ **For Credit Proposals of Rs 10 crs to Rs 25 crs**
  - ▶ Technical viability report by an IDO/ an Official with engineering background to be submitted.
- ▶ **For credit proposals beyond Rs 25.00 cr**
  - ▶ Technical viability report from an outside agency.

# LEGAL ENTITY IDENTIFIER

- ✓ Legal Entity Identifier (LEI) code - A key measure to improve the quality and accuracy of financial data systems for better risk management.
- ✓ LEI is a 20-digit unique code assigned to entities, who are parties to financial transactions worldwide
- ✓ It is mandatory on the part of all borrowal accounts having limits of Rs.50 crores above, to obtain LEI code which will be captured in Central Repository of Information of Large Credits(CRILC).

# EXTERNAL RATING

- ✓ External rating should be obtained for all exposures of Rs.10 crore and above from any one of the accredited agencies.
- ✓ All CRE exposures more than Rs.5.00 Cr and above, MSME – 25 Crore and above to be Rated by External Rating Agencies. In case of borrowers without external rating, the Bank has to insist on the external rating at the time of sanction
- ✓ At present seven Credit Rating Agencies namely CARE, CRISIL, India Ratings and Research Private Limited (India Ratings), ICRA, Brickwork, SMERA and INFOMERICS are accredited by RBI for the purpose of risk weighting the Bank's claims for capital adequacy purposes.

# STOCK AUDIT

All advances sanctioned against stocks / books debts as primary security except NBFC

Should be conducted on yearly basis (the gap between two such audits should not exceed 15 months)

If the obligor rating of the borrower under RAM is “IB AA” & above and the rating is less than 12 months old, the stock and book-debt audit shall be conducted once in 2 years (the gap between two such audits should not exceed 27 months).

|   | Type of customer   | Threshold limit (Working Capital – FB + NFB) for Stock Audit<br>(Rs. in Crore)                                       |
|---|--|--|
| A | Individual / Partnership Firm  | 1.00   |
| B | Private Limited Companies  | 1.00   |
| C | Public Limited Companies   | 5.00   |
| D | Public Sector Undertakings   | Exempted   |
| E | Consortium Advances – As Member  | As per policy of leader  |
| F | Consortium Advances – As Leader  | As per above points A,B,C,& D  |
| G | Multiple Banking   | As per the policy of the Bank having the largest Exposure  |
| H | Stock Audit of NPA Accounts  | To be conducted on an annual basis for working capital limit of Rs.1.00 Crore and above irrespective of constitution |
| I | Contractors (first class contractors who are contractors for highways, power projects and other infrastructure projects) | 5.00 (provided the exposure is covered with 100% collateral security.)   |

## LEGAL AUDIT

Accounts with exposure of Rs.1.00 crore & above where mortgage is available

Periodicity of legal audit will be within three years from the last legal audit in case of all credit exposure of Rs 5.00 Crore and above

## CREDIT AUDIT

Credit Audit to be conducted by the Inspector of branches / Chartered Accountants

Accounts to be covered under Credit Audit

|  |                      |
|--|----------------------|
| Standard borrowal A/Cs with rating of IB-BBB (Obligor) and above | Rs.5 Crore and above |
| Standard borrowal A/Cs with rating below IB-BBB (Obligor)        | Rs.1 Crore and above |



## Monthly Select Operational Data (MSOD)

All manufacturing units with working capital limit of Rs.50.00 lakh and above (except MSME – SLPs where they are specifically exempted)

## Quarterly Information System (QIS)

QIS - Borrowers enjoying working capital limit of Rs. 1 Crore and above from the banking system except for MSME SLPs where they are specifically exempted.

## **QIS – I..?**

Estimates for the ensuing quarter

To be submitted in the week preceding the commencement of the Quarter to which the statement relates

## **What is QIS – II.?**

Actual performance during the quarter

Within six weeks from the close of the quarter to which the statement relates

## **What is QIS – III.?**

Half-Yearly Operating Statement

To be submitted within two months from the close of the half year

# WORKING CAPITAL – METHODS OF ASSESSMENT

|   |   |
|---|---|
| Limit up to Rs.5 Crore (other than trade segment)                           | Turnover Method<br>Under specific circumstances, for limits up to Rs.5 crore (other than trade segment), Turnover method or MPBF 2nd method of lending whichever is higher is permitted. If MPBF 2nd method of lending is considered, reasons for adopting the methodology should be substantiated in the credit proposal |
| Limit more than Rs.5 Crore  | MPBF 2nd Method of lending / Modified MPBF  |
| Leasing / Hire purchase NBFCs   | MPBF 2nd Method of lending  |
| NBFC, Educational Institutions, Hospitals, Hotels and Real Estate Developer | Cash Budget System  |
| Infrastructure Projects   | Cash Budget System  |

# WORKING CAPITAL

|  |  |
|--|--|
| Seasonal industries, construction contractors, Software and others | Cash Budget System                             |
| Specific Schemes / Structured Product                              | As defined for the particular scheme / product |
| Consortium Advance   |  |
| As leader  | MPBF II Method of Lending/Cash Budget System   |
| As member  | Method followed by Consortium                  |

Working Capital - OCC or Secured OD

OCC - Primary security of stocks & book debts

Secured OD – Activities where stocks cannot be taken as primary security ; against primary security of property

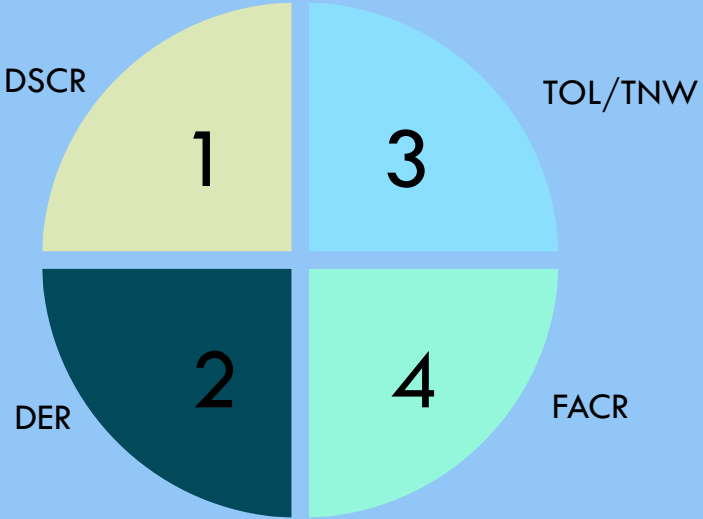
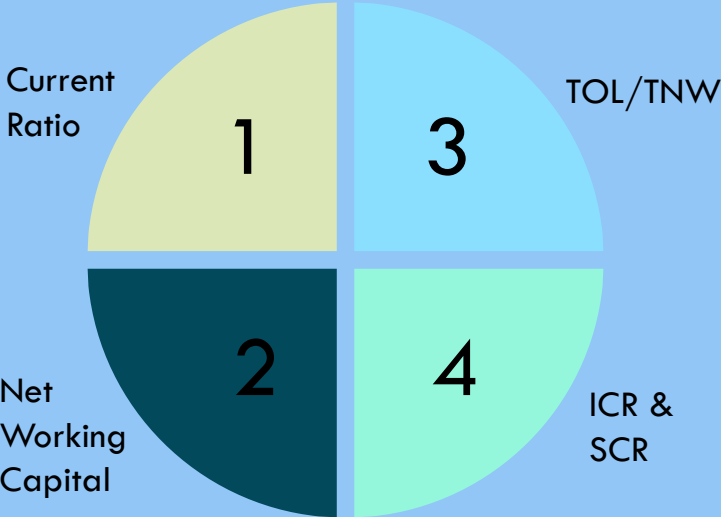
# BENCHMARK RATIO



WORKIN  
G  
CAPITAL



TERM  
LOAN



The image features a light blue background with a central dark blue rectangular banner. The banner is flanked by two teal-colored shapes that resemble folded paper or ribbon, one on the left and one on the right. The text 'MSME POLICY' is centered on the banner in a white, elegant serif font.

*MSME POLICY*

# DEFINITION OF MSME

▷ REVISED DEFN W.E.F. JULY 1, 2020

| Type of Enterprise | Investment in Plant & Machinery or Equipments<br>(Should not exceed) | Turnover<br>(Should not exceed) |
|--------------------|--|---------------------------------|
| Micro Enterprise   | Rs.1.00 crore  | Rs.5.00 crores                  |
| Small Enterprise   | Rs.10.00 crores  | Rs.50.00 crores                 |
| Medium Enterprise  | Rs.50.00 crores  | Rs. 250.00 crores               |

# DEFINITION OF MSME

- ▶ Composite criteria - Investment in machines and Annual Turnover
- ▶ Both the criteria need to be satisfied
- ▶ If an Enterprise crosses ceiling in any one criteria, it will be placed in the next higher category.
- ▶ An Enterprise will be placed in the lower category only when it goes below the ceiling in both the criteria.
- ▶ All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) to be treated as one Enterprise



# VALUE OF PLANT & MCARY

## ▷ Existing units

- ❖ WDV (Written Down Value) as at the date of balance sheet (i.e WDV as at the end of the Financial Year and not cost of acquisition or original price), is applicable

## ▷ New Enterprises

- ❖ Prior ITR is not available. Hence, value of investment in machines / equipments will be based on self-declaration of the promoter of the enterprise.
- ❖ This relaxation is valid till the 31st March of the financial year in which it files its first ITR.
- ❖ Purchase (invoice) value, whether purchased first hand or second hand excluding GST, on self-disclosure basis shall be taken

# REGISTRATION OF MSME

- ▶ Registration in “Udyam Registration Portal” mandatory w e f July 1, 2020.
- ▶ Existing Enterprises registered with Entrepreneur Memorandum and Udyog Aadhaar Memorandum should register in Udyam Registration Portal before 31<sup>st</sup> March 2021. (Existing registration valid till 31<sup>st</sup> March 2021)
- ▶ Online Registration (<https://udyamregistration.gov.in>)
- ▶ No fee for filing Udyam Registration.
- ▶ A permanent registration number (Udhyam Registration number} will be given after registration.

# OTHER GUIDELINES

## **Composite Loan**

Working capital requirement and TL requirement to be financed as a single term loan with nomenclature Composite Loan.

Composite loan can be given upto a limit of Rs.1.00 crore to MSE

## Mudra Loans

Loans to Micro Units upto a limit of Rs.10 lacs

- ▶ Loans up to Rs.50,000 is termed as “Shishu”,
- ▶ Loans above Rs.50,000 to Rs.5.00 lacs is termed as “Kishore” and
- ▶ Loans above Rs.5.00 lacs to Rs.10.00 lacs is termed as “Tarun”.

# OTHER GUIDELINES

## Common Application Form

- ▶ Common Loan Application Form for all MSME loans prescribed by IBA along-with check list is applicable. The same is available on:

*Helpdesk → MSME dashboard → MSME module → MSME Application.*

## Appraisal Formats

Appraisal format for MSMEs is applicable based on the credit limit as follows

1. Appraisal format for loan above ₹ 10 Lakh to ₹ 1 Crore
2. Appraisal format for loan above ₹ 1 Crore to ₹ 5 Crores
3. Appraisal format for loan above ₹ 5 Crores to ₹ 25 Crores
4. Appraisal for loan above ₹ 25 Crores

All the formats are placed in

- ▶ Helpdesk → MSME Dashboard → MSME Appraisal Format w.e.f 01.04.2020

# Rate of Interest

Interest concession for external rated (SME rating) MSME units with credit limits upto Rs 10 crore.

| Rating | Concession in rate of interest |
|--------|--------------------------------|
| SME 1  | 0.50%                          |
| SME 2  | 0.25%                          |

## **ZED Rates MSMEs (Zero Defect and Zero Effect)**

To promote Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs, the following concessions are extended for ZED rated MSME loan accounts:

| ZED Category | Concession in rate of interest | Concession in processing charges |
|--------------|--------------------------------|----------------------------------|
| Platinum     | 0.25%                          | 50 %                             |
| Gold         | 0.25%                          | 35 %                             |
| Diamond      | 0.25%                          | 25 %                             |

# Margin under MSME Sector

| Facility   | Margin  |
|--|---|
| OCC & OD / Book Debts  | 20 %  |
| Term loan / Land & bldg  | 30 %  |
| Second hand machinery  | 35%<br>Further, 10% relaxation is permitted as below<br>Borrowal accounts up to ZLCC powers – COLCC(GM)<br>Borrowal accounts under the powers of COLCC(GM) and above – Respective sanctioning authorities |
| Margin Requirements for MUDRA Loans  | Shishu – Nil<br>Kishore – 10%<br>Tarun – 15%  |
| Other margin requirements shall be as prescribed under Discretionary Power Booklet from time to time |   |

# COLLATERAL FREE LOANS TO MSEs

No collateral or 3<sup>rd</sup> party guarantee for advances (both Manufacturing and Service sector) up to ₹10 Lakhs - Mandatory as per RBI guidelines.

- ✓ In case of MSEs with credit limits upto Rs.200 lacs, CGTMSE cover can be taken for eligible accounts and in such cases, collateral security and / or third party guarantee should not be taken.
- ✓ Credit facility to MSE Retail traders with credit facilities up to ₹ 100 Lakh can be covered under CGTMSE.
- ✓ Banks can obtain collateral security for a part of the credit facility, whereas the remaining unsecured part of the credit facility, up to a maximum of ₹ 200 Lakh, can be covered by

# TReDS – TRADE RECEIVABLES DISCOUNTING SYSTEM

- ▶ Financing of receivables of MSMEs; improves cash flow of MSMEs
- ▶ Receivables from reputed proprietorship, firms, trust, Corporate buyers, Government Departments and PSUs
- ▶ MSME seller and buyer register in the TReDS platform
- ▶ MSME seller uploads the bill; Buyer accepts it
- ▶ Banks quote bids ; Buyer and seller accepts the rate;
- ▶ Financing done by Bank



# TReDS – TRADE RECEIVABLES DISCOUNTING SYSTEM

- ▶ CERSAI Registration done in the name of buyer
- ▶ Transaction processed is without recourse to MSMEs
- ▶ In case of any default in payment on due date by the buyer, Bank can initiate recovery / legal action against the buyer
- ▶ Operations in TReDS platform (fixing of limit in platform, bidding etc.) at single place (Corporate Office, MSME Department) and parking of exposure at one branch (presently Thousand lights branch) is adopted to have effective control

A blue ribbon graphic with the text "THANK YOU" in white cursive script. The ribbon is a dark blue color and is folded at the top and bottom corners, creating a 3D effect. The text is centered on the ribbon. The background is a light blue gradient.

*THANK YOU*