

CORPORATE CREDIT

Credit facilities are extended by the Bank for financing genuine commercial activities. The Bank does not lend money for speculative purposes and/or for any unlawful activity.

All credit proposals are subjected to due diligence processes with regard to the credentials of the borrower, purpose of the loan, financial position of the borrower, need based requirement of credit facilities for working capital and capital expenditure, capability to service the loans and security offered.

With a view to mitigating credit concentration risk, the Bank has fixed exposure limits on 'Single Borrower' and 'Group' as per the prudential exposure norms of Reserve Bank of India. While the norms of RBI put a regulatory cap, the Bank has further set in place substantial exposure norms much below the regulatory caps. Similarly, industry exposure limits, Geographical exposure limits, unsecured exposure limits and term loan exposure limits have been fixed, and are periodically reviewed. These limits are discussed in Credit Risk Management Policy of the Bank.

Bank has developed robust internal credit rating and scoring models. These models are used to assess risk associated with a credit proposal, thereby enabling evaluation of its acceptability. Based on the risk appetite of the Bank, hurdle rates are set for accepting / taking additional exposures as well as for determining the approach for lending to various industries.

The pricing decisions are linked to internal risk rating. In addition, overall value of relationship and competition in the market would also guide pricing decisions.

The Bank has a well-defined system of delegation of powers to sanction/approve credit facilities. The terms and conditions/covenants governing any lending arrangement are also well defined. No credit facility can be extended to any borrower unless duly sanctioned by the designated sanctioning authority/committee.

No credit facility can be disbursed unless the standard loan documents in the specified form have been executed.

A valid and enforceable charge in respect of security for the credit facility (ies) as specified in the terms of sanction must be created before disbursement - unless disbursement pending completion of these formalities has been specifically permitted by the designated sanctioning authority.

All loan assets are classified as per guidelines of Reserve Bank of India on Income Recognition and Asset Classification. There are various options available to deal with stressed/non-performing loans, including restructuring, if fundamentally viable, early exit, one time settlement, enforcement of security under SARFAESI Act, litigation in DRT / Court & under IBC(NCLT).

The suitability of the approach adopted is determined on the principle of ensuring minimum haircut / loss to the Bank, taking into account the time value of money. Approval of designated sanctioning authority is obtained for any of the actions indicated above, as per the delegated powers. While this Loan Policy document articulates the broad guidelines and approach to administration of the credit portfolio, the Bank recognizes that there may be occasions when it would be appropriate and necessary, based on sound commercial considerations that are agreed after careful evaluation of individual cases, to permit deviations. Accordingly, authority structure covering delegation of power to permit such deviations are

mentioned in the power booklet.

Corporate Lending – Selective Approach

Large corporate segment is identified for exposure to corporate of Rs150 Crore and above from our Bank irrespective of sector, size of loan and group accounts. Large Corporate Vertical (LCV) at Corporate Office will handle all the proposals of Rs. 150 crores and above from any of the branches including MCBs.

However in case of group accounts, the concerned MCV or LCV which handles the related group accounts, will handle the requirements of the borrowers of the group other than up to Rs.50 crore retail, MSME and Agri proposals which will be handled by the respective department.

Emphasis is given to rating of the borrower to ensure better quality of credit. It is the endeavour of the Bank to extend credit to good quality corporate clients ensuring optimum returns. Better the rating of the corporate; the more is the safety of principal and income to the Bank. Competitive constraints under corporate lending need to be overcome to a large degree by adopting some of the strategies listed below:

- Careful selection of corporate and institutional exposures after thorough appraisal of risks
- Assessment of the volumes generated against the value in terms of income earned while approving corporate credit requests with due regard for pricing.
- The additional requirements of existing customers with good external and internal ratings should be addressed in totality with speed and flexibility in terms. While assessing the working capital needs of existing borrowers, adequate provision should be built in to meet the seasonal variations in credit requirements taking into account peak and lean seasons
- Bank believes in being selective in choosing corporate exposures with an eye on pricing considerations and focus on the mid-corporate segment.

<p>What do you mean by Mid Corporate?</p>	<ul style="list-style-type: none"> ➤ Mid corporate segment is identified for exposure Rs 25 Crore to less than Rs150Croreboth FB +NFB irrespective of sector. ➤ MCV (Mid Corporate vertical) at CO will handle all proposals falling within the range of Rs 25 Cr to Rs 150 Cr from any branch including LCBs. Issues pertaining to approvals and sanctions for credit limit less than Rs 25 cr ,if any, from branches shall be handled by MCV.
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<p>What do you mean by Large Corporate?</p>	<ul style="list-style-type: none"> ➤ Large corporate segment is identified for exposure Rs 150 Crore (FB+NFB) & above irrespective of sectors, size of loan & group accounts. ➤ In case of group accounts the concerned MCVs & LCV which handles the related group will handle requirements of borrower of the group other than up to Rs 50 Cr retail, MSMEs & agriculture will be handled by the respective department.
<p>Why we should verify suppliers' credentials while verifying end use of funds?</p>	<p>To determine actual price, units financial stability to supply the material in time, unit is having sufficient infrastructure to supply the machine in time. Etc.</p>
<p>Methodology to assess Corporate loan</p>	<p>Corporate Loan can be considered only on selective basis to existing IB-BBB and above rated (combined internal rating) both existing and new customers. Repayment of Corporate Loan should be supported by cash flows/DSCR and should be restricted to 5 years. Unsecured Corporate Loan can be sanctioned at the level of COLCC(ED) and above. Takeover of Corporate Loan is not permitted. All Corporate borrowers and non-corporate borrowers (partnership firms and LLPs). Under MSME category only medium enterprises will be eligible.</p>
<p>Time norms for sanction of corporate loans</p>	<p>The power to consider corporate loan is vested with Corporate Office level committees. Hence it is 90days.</p>
<p>What is the maximum & minimum loan for corporate loan</p>	<p>Minimum amount of loan Rs. 1 Cr. Maximum –no ceiling.</p>
<p>Short review of account</p>	<p>Under normal circumstances, review/renewal shall be conducted before expiry of validity of credit limits. Branches/Offices shall submit the renewal proposal 3 months before expiry of validity of limits. In case of delay due to non availability of required information/documents, such as, audited/provisional financial statements, operational data, etc., concerned sanctioning authority shall record the same in review proposal and may review the account for maximum period of 90 days from due date on existing terms & conditions. Such review is restricted to two times within 180 days from due date of renewal. Within 180 days from the original due date renewal must be completed. Additional rate of interest to be charged for delayed submission of renewal papers by the borrowers as per terms and conditions</p>
<p>Audited financial statement</p>	<p>Any credit facility by way of WC & TL greater or equal to Rs 20 lac or unit having turn over equal to or greater than Rs 1 Cr should accompanied Audited Balance Sheet.</p>
<p>Second legal opinion</p>	<p>Second Legal Opinion be obtained for securities/properties to be charged to advances of Rs.100 lakhs and above</p>

Rating of downgraded accounts	To be reviewed quarterly.
Partial release of security	Valuation report of Security held with the bank should not be more than six months old.
Fixation of repayment commencement date in BANCs	Holiday period + monthly/quarterly/half yearly repayment period to be fixed as per sanction ticket.
TNW in project finance	In Infra projects, where project assets are considered as intangible asset, that need not be considered at netting of TNW for calculation of ratios.
Limit where consortium is mandatory	Any fresh exposure to borrowers having fund based and non-fund based limit of Rs.500.00 Crore & above from the banking system (other than specifically permitted categories of advances in this policy) shall be under Consortium Arrangement.(NBFCs with external rating of "A" and above, PSUs and MFIs are exempted).
Consortium accounts:	<p>In Consortium accounts, the fresh exposure to be assumed by our bank shall be preferably minimum of 10% of the total exposure (fund and non-fund based) envisaged under the consortium. Administrative clearance for relaxation to this (Less than 10% under consortium) should be obtained from next higher authority for proposals falling up to COLCC GM) Power.</p> <p>COLCC(ED) and above can permit this relaxation falling under their respective sanctioning powers.</p>

<p>Loan System Delivery of Bank Credit.</p>	<ul style="list-style-type: none"> ➤ In respect of borrowers having aggregate fund based working capital limit of ₹150 Crore and above from the banking system (Excluding Export & Bill finance). ➤ Investment in Commercial Papers shall form part of Working Capital Loan. ➤ 60% of working capital including adhoc limits/TOD if any shall be in the form of working capital loan w.e.f. 01 July 2019. ➤ In case of consortium advance all lenders shall be individually and jointly responsible to make sure that at the aggregate level, the 'loan component' meets the above-mentioned requirement. ➤ In case of Multiple Banking arrangements, loan component is to be adhered by all the banks at individual level. ➤ The minimum tenor of the loan can be 7 days. It can be for different maturities based on request of the borrower. ➤ The repaying of working capital loan can be in instalments or bullet payment. ➤ The working capital loan can be rolled over subject to IRAC norms. As per IRAC norms short term loans can be rolled over for two times and third roll over onwards shall be treated as restructuring. ➤ Credit facilities extended to State/Central Government agencies and FCI for procurement /price supporting activities are exempted from the above guidelines. ➤ Credit facilities extended to Central Counterparties and Credit Facilities extended by overseas branches of Indian Banks are also exempted from the purview of the above guideline. ➤ In the case of borrowers carrying on certain business activities which are cyclical and seasonal in nature or have inherent volatility, RBI has permitted banks to exempt such borrowers from the purview of Loan System for Delivery of Bank Credit with the approval of their Boards. ➤ <u>Bank's Exposure is less than 10% of Aggregate Banking System Exposure:</u> <ul style="list-style-type: none"> ✓ Borrowers can avail CC & OD facility, where credits are permitted but any debit transaction can only be to remit the funds to the
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	<p>borrower's CC/OD account held with a bank which has an exposure of 10% or more of the banking system's total exposure to that borrower.</p> <ul style="list-style-type: none"> ✓ If Borrower has availed loans from more than one bank and more than one bank has an exposure of 10% the bank to which the funds are to be remitted may be decided mutually between the borrower and the banks. ✓ Banks where the exposure is less than 10% can offer Working Capital Demand Loan(WCDL) or Working Capital Term Loan(WCTL). <p>➤ <u>Bank's Exposure is More than 10% of Aggregate Banking System Exposure:</u></p> <ul style="list-style-type: none"> ✓ Borrowers can avail CC/OD facility. Borrowers covered under the guidelines on loan system for delivery of bank credit as above will be followed. The Loan component and a cash credit component shall be maintained at individual banks in all cases including consortium lending.
What is JLA?	Joint lending Arrangement for a single borrower with aggregate credit limits (both fund based and non-fund based) of Rs 150 Crore and above involving more than one Public Sector Bank.
Green field project	New business group, While financing Greenfield projects, offices/branches shall ensure that the promoters who are entering such new field are having adequate business experience and there is a scope for the activity proposed to be started.
Brown field project	It is project in which borrower is going for expansion of its unit at the same site using basic infrastructure of the existing plant only. The promoter should have successfully implemented at least one such project in past and/or are in similar line of activity for more than 5 years.
Syndication of Loans	<ul style="list-style-type: none"> ➤ When a corporate approaches the Bank for funding its project and where the Bank may not meet the entire financial needs of the borrower, the balance term loan / working capital finance would be syndicated. ➤ Syndication is thus very similar to the system of consortium lending in terms of disposal of risk and is a convenient mode of raising long-term funds by borrowers. ➤ Following types of loan facility are commonly syndicated: Term loan, revolving facilities and working capital facilities.
Underwriting of Loans	<ul style="list-style-type: none"> ➤ An underwritten deal is one for which the arranger guarantee the entire commitment, and then syndicate the loan. If the arrangers can't fully subscribe the loan, they are forced to absorb the difference, which they may later try to sell to other Banks
Financing infrastructure	<ul style="list-style-type: none"> ➤ Infrastructure projects are often financed through Special Purpose Vehicles and require special appraisal skills on the

sector	<p>part of lending agencies.</p> <ul style="list-style-type: none"> ➤ Identification of various project risks, evaluation of risk mitigation through appraisal of project contracts and evaluation of credit worthiness of the contracting entities and their abilities to fulfill contractual obligations will be an integral part of the appraisal exercise. ➤ In Case of joint financing by Banks/FIs or financing by more than one Bank under Consortium or Syndication arrangements apart from the appraisal report prepared by the lead Bank / FI or have the project appraisal jointly, an independent appraisal of the proposals are to be made by appraising officials with regard to the technical and financial aspects of the proposals / projects and the same is to be recorded in the appraisal notes without fail. A certificate should be submitted by Zonal Offices / Branches that they have verified the technical and financial aspects of the project and based on their assessment, the project is technically viable and economically feasible ➤ Credit limits to infrastructure sector (other than Educational institutions, Hotel and Hospitals) can be considered from the level of COLCC (GM) and above under their respective delegated monetary powers. ➤ IDC shall be a part of project cost but to be fully funded by the promoter/sponsor. Flexibility in margin for components of project cost may be permitted by the sanctioning authority, on case to case basis, so that overall DER at 2:1 for other than MSME or 3:1 for MSME is maintained. ➤ While considering the proposals for Solar Power and wind power the sanctioning authorities should ensure that necessary Power Purchase Agreements (PPA) are in place and the project cost is comparable with guidelines issued by Central Electricity Regulatory Commission (CERC) from time to time
Take out finance – Way for Infrastructure finance sanctioned at CO	<ul style="list-style-type: none"> ➤ Take out financing structure is essentially a mechanism designed to enable banks to avoid asset liability maturity mismatch that may arise out of extending long tenor loans to infrastructure projects. ➤ Under the arrangement, bank financing the infrastructure projects will have an arrangement with any other financial institution for transferring to the latter the outstanding in their books on a pre-determined basis.
Financing Road Project - Important aspects to be looked into while sanctioning	<ul style="list-style-type: none"> ➤ Disbursement of loans to road projects to be done only in respect of project where at least 80% of Right of Way is made available and public notice for acquisition of remaining 20% of land is issued. ➤ Confirmation letter for appointed date to be obtained prior to disbursement.
Who can participate in consortium meeting / JLF meeting where our bank is leader or	The meeting must be presided by ZM / SIC of the zone (not less than AGM) for all consortium accounts. For CO Accounts, ZO should take mandate from the CO. The appointment of AGM, LIE, concurrent auditors to be ensured

member?	
While sanctioning / renewing credit facilities to groups	Financial statements of consolidated group have also to be analysed and comments on the same to be furnished as provided for in the revised Board Appraisal Format. Group power also to be referred for deciding who has to sanction while sanctioning / renewal of any account of group,
Third Party interference in processing credit proposals	All appraisal notes should contain a clause "No Third party is involved at any stage in the loan sanction process". All loan proposals that are submitted to Corporate Office should be accompanied by a Certificate signed by Branch Manager/ Zonal Manager stating that no third party is involved at any stage in the process of loan proposal.
Review/Renewal of Advances	All the borrowal accounts sanctioned under CO Powers, as well as local discretionary powers, should be reviewed (in case of term loans) / renewed once in a year. For CO sanctioned accounts, branch should send the proposal at least three months in advance before the due date to ensure Obtention of sanction in time. Branch to Endeavour towards achievement of 100% review / renewal of borrowal accounts and maintenance of such standards at all points of time Branches /offices shall closely monitor the term loan accounts. Wherever, they observe any warning signals, suitable steps may be initiated for restructuring the account in genuine cases as per laid down norms /considering exit option or recovery steps may be initiated without delay.
Brand Name	No loan can be sanctioned against the exclusive security of assignment of Brand Name either under consortium/MBA
Obtaining of Quotes for Short term Loans / Quotes for loans to PSUs etc	In view of the business opportunity & timelines for submission of quotes for STL/Quotes for loans to PSUs etc. on case to case basis COLCC(GM)/functional GM can submit quotes for accounts falling up to COLCC(ED). COLCC(ED)/ED can approve quotes for account falling up to power of CAC. CAC/MD & CEO can approve quotes for accounts falling under power of MC.
Submission QIS	Quarterly Information System (QIS) is applicable for borrowers enjoying working capital limit of Rs.1 crore and above from the banking system except for MSME SLPs where they are specifically exempted.

Valuation of Properties	<ul style="list-style-type: none"> ➤ Properties accepted as security is to be valued by two independent valuers for sanctioned limit of Rs. 5 Crore and above and if the value of each property is Rs 50 lakh and above in case of non-structured loan products and SME SLP. ➤ For other structured loan products, two independent valuations are required for advances exceeding Rs.1.00 Crore and above and if the value of each property is Rs 50 lakh and above. ➤ In case of difference in valuation of assets done by two independent valuers, the lower of the two valuations will be considered.
Net worth	When the borrower's/ guarantor's declared Net worth exceeds Rs.100 lakh, certificate from a Chartered Accountant is to be obtained. Obtaining CA certified Net worth statement is not to be construed as a substitute for Assets and Liabilities statement and computation of net worth in Credit report as per Banks format
Subordinate Debt /U	For fresh proposals the level of unsecured loans that can be treated as quasi capital (for calculation of networth) to be restricted to 100% of the Tangible net worth (Excluding Revaluation Reserves). This restriction shall not apply to unsecured loans with perpetual in nature or with residual maturity period greater than remaining tenor of bank fot Ltd comp/ Proprietorship/Partner.
Flow of credit to Micro and Small Enterprises	For facilitating timely and adequate credit flow during their ' Life Cycle' of MSEs, Reserve Bank of India (RBI) advised Banks to ensure that their lending policies for MSEs are streamlined and made flexible in order to empower the officials concerned to take quick decisions on credit delivery to MSEs
Sanction of Adhoc Facilities	Adhoc limits can be sanctioned for a maximum period of THREE months and should not be rolled over. Gap between two such successive Adhoc limit sanctions should be at least one month to be maintained.
Industry-wise Exposure Limits	<ul style="list-style-type: none"> ➤ Exposure ceiling foe CRE & CME has been fixed as 50% & 40% of bank's networth as on previous year end respectively. ➤ CRMC is authorized to approve 5% of ceiling prescribed for each industries as additional cushion over the ceiling prescribed for that industry. Any additional cushion allowed over & above the ceiling prescribed for that industry will report to the RMC of Board.
Exposure Limit for Project Finance	<ul style="list-style-type: none"> ➤ The limit for Project Finance exposure is fixed at 20% of Bank's Total exposure excluding Investment and Derivative exposure, as at end of previous quarter. ➤ Fresh / enhancement Project loans with Sanctioned limit of Rs. 50 Crore and above for infrastructure, non-infrastructure and core industries are considered under this exposure limit.

Large Exposure Limit	<ul style="list-style-type: none"> ➤ Exposure to Single borrowers or group of connected borrowers equal to or above 10% of Tier I Capital of the Bank as per the last audited balance sheet are classified as Large Exposure. ➤ The sum total of Large Exposures to single borrowers and group of connected borrowers is fixed at 500% of the Tier I Capital funds of the Bank as per the last audited balance sheet. ➤ This Exposure Limit is not deemed as cap on further exposures but is intended for closer monitoring.
Exposure Limit based on constitution of the borrower	<ul style="list-style-type: none"> ➤ Individual/Proprietorship / Partnership firm / Trust ➤ <u>Society/HUF/Association of People:</u> Rs.25Cr is the Exposure Limit. ➤ <u>LLP:</u> Rs.50Cr. ➤ <u>Any proposal beyond the said cap may be considered on case to case basis by COLCC(GM) & above.</u>
Credit Audit	<p>Category Limit Standard borrowal a/cs with rating of IB-BBB: Rs.5 Crore and above. Standard borrowal a/cs with rating below IB-BBB : Rs.1 Crore and above</p>
Loan Review Mechanism	<p>All Review/Renewal proposals with limits of Rs.5 Crore and above shall be put under LRM (within 6 months from date of sanction). Extent of coverage: Coverage under LRM shall not be less than 40% of the standard domestic credit outstanding as on the previous year end. Standard accounts with sanctioned limit of Rs.50 Lakh and above shall be the cut off limit. However, in case the standard accounts with a limit of Rs.50 Lakh and above do not constitute about 40% of the exposure under Zonal Office powers, exposure excluding Jewel Loan and Loan against deposits portfolio shall be considered and LRM to cover 40% of the remaining portfolios.</p>
Fair Practices for lenders	<p>RBI guidelines stipulate that a copy of the loan agreement along with a copy of each of all enclosures quoted in the loan agreement should be furnished to the borrower. This aspect is also covered in the Code of Bank's Commitment to Customers -2014, which has been displayed in our website</p>
Legal Entity Identifier for large corporate borrowers	<p>Legal Entity Identifier (LEI) code as a key measure to improve the quality and accuracy of financial data systems for better risk management, post the Global Financial Crisis. LEI is a 20-digit unique code assigned to entities, who are parties to financial transactions worldwide</p> <p>In terms of RBI directions, all borrowers of banks, having total fund based and non-fund based exposure of ₹ 50 crore and above to obtain Legal Entity Identifier (LEI) registration which will be captured in Central Repository of Information of Large Credits (CRILC). This will facilitate assessment of aggregate borrowing by corporate groups, and monitoring the financial profile of an entity/group. This requirement will be implemented in a calibrated, but time-bound manner.</p>

<p>Minimum Holding Period (MHP)</p>	<p>Originating banks/NBFC's can sell loans only after these have been held by them for a minimum period in their books. The criteria governing determination of MHP for assets listed below reflect the need to ensure that:</p> <ol style="list-style-type: none"> The Project implementation risk is not passed on to the investors and Minimum recovery performance is demonstrated prior to securitization to ensure better underwriting standards. Banks / NBFC's can transfer loans only after a MHP counted from the date of full disbursement of loans for activity/purpose, acquisition of asset (I.e., car, residential house etc.,) by the borrower or the date of completion of project, as the case may be. MHP is defined with reference to the number of installments to be paid prior to securitisation.
<p>Take over account</p>	<ul style="list-style-type: none"> ➤ Statement of account of the existing bank for preceding one year is to be obtained and verified to assess the quality of operations with the existing bankers. ➤ Sanction letter of existing banker to be obtained to confirm that the repayment of loan is in order and is as per the sanction terms. ➤ Satisfactory Credit opinion from the existing bank should be obtained as per the revised Credit Information Report where in the revised parameter for Net Means is stipulated before release of facilities. ➤ If Credit Opinion of the other bank is not available, Credit Information Report (CIR) obtained from Credit Information Companies (CRIF HIGHMARK, CIBIL, EXPERIAN, EQUIFAX) along with CRILC report should be verified. ➤ Enhancement in working capital is permitted for genuine / need based working capital limits along with takeover, subject to maximum of 30% over the existing limit (FB+NFB) for borrowal accounts where financial parameters are line with bench mark level, without any deviation in bench mark levels. ➤ When taking over term loan without any existing working capital facility, working capital may be sanctioned as per eligibility of the borrower. ➤ Account should have recorded net profit after tax in the previous year and at least two years out of last 3 years and business conditions to indicate improvement in profitability, unless the account is in operation for less than three years. ➤ The project should not be in the implementation phase at the time of takeover of the loan. It should have commenced commercial operation. ➤ Repayment terms are same as per existing loan taken over from other banks / financial institutions. I.e. no extension from the original repayment. ➤ For takeover of accounts both internal as well as external rating criteria should be complied with. ➤ Entry into Consortium of a new account need not be regarded as a take-over. In a running Consortium Arrangement, our Bank may

	<p>propose to take over the existing / fresh share of lending from the existing member Banks and such entry is not regarded as takeover.</p> <ul style="list-style-type: none"> ➤ Takeover should not be considered under following condition, unless any relaxation is permitted by MC <ul style="list-style-type: none"> a) Accounts which have been restructured. b) OTS settled accounts with other banks irrespective of nature of the facility. c) Parties appearing in the Defaulters' List of RBI /CIBIL (or) ECGC's Specific Approval List (SAL), RBI Caution List. d) Any of the Group/Associate account is NPA (non suit filed). e) Borrowers and their group accounts under suit filed category except under OTS settlements. f) For liquidating liabilities with private money lenders / multani bankers. g) Advances restricted by our Bank's Loan / Credit Risk Management Policy. ➤ Takeover of Agricultural Advances: <ul style="list-style-type: none"> a) Minimum cap for takeover of Agri loans-KCC account –Rs. 3 lacs and above , other loans Rs. 10 lacs and above (subsidy / Interest Subvention a/c/Govt Sponsored account not to be taken over irrespective of the amount). ➤ Takeover of Export Credit: <ul style="list-style-type: none"> a) Export Credit from other banks can be considered for take-over under Gold Card Scheme in our Bank, if they comply with the Gold Card eligibility criteria of our Bank irrespective of any of the above said parameters. ➤ If the exporter does not comply with Gold Card Scheme parameters, the account can be considered for takeover without Gold Card, as per the norms.
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<p>TEV study and submit report</p>	<p>➤ 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.</p> <p>➤ Credit proposal beyond Rs 25 Cr (Fresh/Expansion/Additional) should be accompanied by TEV study from outside.</p> <p>➤ TEV study from an outside agency may not be insisted for:</p> <p>a) In case of expansion/up gradation/modernization of existing unit where the borrowers have gained adequate in-house experience / expertise.</p> <p>b) In case of infrastructure (Road) Projects under HAM (Hybrid Annuity Model) provided project study has been done by NHAI.</p> <p>Enlistment of Consultants for TEV study -Validity: The Duration of empanelment is for a period of 5 Years. Review of the performance of empanelled TEV consultants should be carried out once in a year by ZLCC.</p>
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<p>NBG Clearance</p>	<ul style="list-style-type: none"> ➤ NBG is to be obtained for total exposure of above Rs 10 crores fresh proposal. ➤ Enhancement proposals involving enhancement of more than 25% of the existing credit exposure subject to minimum of Rs 50 Crore before regular sanction. ➤ NBG clearance is required for fresh sanction/enhancement of Rs. 10 crs and above to sectors which are identified as negative & extremely negative by RMD. ➤ The powers for considering NBG proposals is delegated to NBG committees at Zonal Offices ,FGM and Corporate Office up to their respective discretionary credit sanction powers. ➤ NBG proposals for Infrastructure lending shall be referred to Corporate Office only, irrespective of the exposure. ➤ Wherever NBG clearance is accorded by NBG committee of corporate office, there is no need to take up for administrative clearance separately. While placing NBG proposals if the proposal (account/group) is reported under CRILC as SMA-1 or SMA-2, the same need not be considered unless specific justification is available to consider the same.
<p>External rating</p>	<ul style="list-style-type: none"> ➤ External rating should be obtained for all exposures of Rs.10 crore and above from any one of the accredited agencies. ➤ External rating should be obtained for MSME Rs 25 cr & above. ➤ All CRE exposures more than Rs.5.00 Cr and above to be Rated by External Rating Agencies. ➤ 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. ➤ No fresh exposure eligible for external rating as per Banks existing policy is permitted without external rating except project loans. In case of borrowers without external rating, the Bank has to insist on the external rating at the time of sanction. In the case of project loans the external rating has to be obtained within 3 months from the date of achievement of COD. ➤ Additional interest of 1.00% to be charged for eligible accounts which are not externally rated, till obtention of rating or closure of loan whichever is

	<p>earlier from the deadline for getting externally rated.</p> <ul style="list-style-type: none"> ➤ Waiver of external rating/extension of time for external rating/waiver of additional interest rate of 1.00% for proposals falling under the powers up to FGMCAC are to be considered only by the FGMCAC and by the respective sanctioning authorities for the proposals falling under the powers of COLCC (GM) and above. ➤ External rating for the Maharatna, Navaratna, Miniratna companies, proposals fully guaranteed by Central/ State Government, proposals covered with full financial collateral securities may not be insisted upon. ➤ LRD loans sanction to corporate borrowers – Rs 50 cr & above.
<p>Entry Barrier for financing</p>	<ul style="list-style-type: none"> ➤ NBFC, HFC and NBFC-MFI: Combined internal rating IB A(Based on RAM) and external rating A/A2 (+/-). ➤ MFI: Combined internal rating IB BBB(Based on RAM) and external rating mFR3. ➤ Unsecured Loan of Rs.5Cr &above: Combined internal rating IB A(Based on RAM) ➤ Exposure where Project rating is applicable: Combined internal rating IB BBB(Based on RAM) and Project rating P3 (Based on RAM) ➤ Exposure where Scoring Model is applicable: Internal rating BBB based on and CIBIL Score of 700 or Experian ➤ /Equifax/CRIF Highmark Score of 650 ➤ Short Term Loan: External rating of AA(+ or-)/A1. ➤ All others: Combined internal rating IB BBB(Based on RAM). ➤ The above entry barrier is not applicable for Public Sector Undertakings (PSU) for all fresh sanctions. In respect of PSUs powers are vested only at Corporate Office within the respective committee. ➤ Sanction of fresh proposals other than PSU “below entry barrier” (up to one notch) falling up to the powers of ZLCC are to be considered by FGMCAC; under FGM CAC powers by COLCC(GM) and proposals falling under COLCC(GM) and above can be considered by the respective sanctioning authorities within their delegated powers with justification. ➤ ZLCC may consider CIBIL Score up to 650 or Experian/Equifax/CRIF Highmark Score up to 600. FGMCAC may consider CIBIL Score up to 600 or Experian/Equifax/CRIF Highmark Score up to 575 with proper justification. Cases with CIBIL Score below 600 or Experian/Equifax/CRIF Highmark Score below 575 will be put up to COLCC (GM) for permission/administrative clearance.
<p>Financing NBFCs - MFI</p>	<ul style="list-style-type: none"> ➤ Minimum Net owned funds of Rs.5.00 Crore (For NBFC-MFIs registered in the North Eastern Region of the country, minimum NOF requirement shall stand at Rs.2.00 Crore). ➤ Not less than 85% of its net assets are in the nature of “qualifying assets” ➤ Current ratio should not be less than 1.33. However, a lower ratio may be accepted considering the risk profile of the borrower. ➤ The leasing / hire purchase / loan receivables over dues must not be more than 5%. ➤ In the case of an existing company, non-performing assets must not be more than 5% of its Leasing & Hire Purchase / loan assets except when a credit assessment provides mitigants. ➤ Credit facilities may be granted by way of cash credit and Term loan

	<p>only.</p> <ul style="list-style-type: none"> ➤ For NBFC-MFI having FB and NFB exposure of Rs 10 crore and above, the internal and external sources of funds to meet the company's requirements should be evaluated ➤ Bank will continue to extend finance to NBFCs against the second handsets financed by them subject to the stipulations laid down in this regard. ➤ Deviations in the above guidelines, within the RBI prescriptions, would be permitted by the next higher authority. 				
<p>(NBFCs) and Housing Finance Companies (HFCs)</p>	<ul style="list-style-type: none"> ➤ The Bank's exposure shall normally be restricted to the existing/prospective clients with proven track record, sound financials and those complying with the RBI stipulated norms/ Bank's norms. ➤ Term loan as well as Working Capital credit needs of NBFCs and HFCs will be assessed based on the cash flow. ➤ Shall have a minimum capital adequacy ratio of 15%. ➤ Total borrowings shall not exceed 10 times of Net Owned Fund. ➤ Total outside Liabilities shall not exceed 12 times of Net Owned Fund. ➤ Gross NPA and net NPA shall be less than 4.50% and 2.50%, respectively. ➤ Return on Assets (ROA) and Net Interest Margin (NIM) should not be less than 1.5% and 2.5% respectively. ➤ Volatile Liabilities* / Total Assets should not be more than 75%. ➤ *Volatile Liabilities: (Deposits up to 1 year + borrowings up to 1 year) ➤ Security Coverage should be minimum 1.10 ➤ Minimum Interest coverage ratio should be 1.50 for fresh proposal and 1.25 for review/renewal proposal ➤ PAT should be positive in last 3 years ➤ Should have healthy and sustainable growth in last three years continuously in terms of NIM, PAT and AUM. ➤ The internal and external sources of funds to meet the company's requirements should be evaluated. The liquidity risk should be evaluated by examining the assets liabilities maturity (ALM) profile, collection efficiency, deposit renewal rates and proportion of liquid assets to total assets. ➤ Deviation in NBFC guidelines, within RBI prescription would be permitted by credit committee as under <table border="1" data-bbox="641 1409 1521 1476"> <tr> <td data-bbox="641 1409 1117 1444">Sanctioned by</td> <td data-bbox="1117 1409 1521 1444">Deviation to be approved</td> </tr> <tr> <td data-bbox="641 1444 1117 1476">COLCC(GM) & above</td> <td data-bbox="1117 1444 1521 1476">Next higher authority</td> </tr> </table>	Sanctioned by	Deviation to be approved	COLCC(GM) & above	Next higher authority
Sanctioned by	Deviation to be approved				
COLCC(GM) & above	Next higher authority				

Who can sanction Secured OD facility for CRE and other than CRE?

The powers for sanction of Secured OD are given in CP 19 of booklet on Credit and Credit related administrative powers. In addition to the above, Secured OD can be considered for all bankable purposes except CRE by ZLCC up to their delegated powers.

In case of CRE exposure (including residential housing), as far as possible shall be sanctioned in the form of a project specific term loan. SOD for CRE (including CRE-RH) can be considered selectively by fixing the Drawing Limit (DL) based on the projected cash flows / sale of the inventory. In any case, the SOD should be fully repaid once the CRE (including CRE-RH) project is completed and sold. For obtaining administrative clearance for CRE projects, Credit Risk

Management policy guidelines to be referred

Term loans

Request for reimbursement can be considered on case-to-case basis by the respective sanctioning authorities subject to the following:

Reimbursement to be made only when borrower has invested money borrowed from third party and the reimbursement will be made only to such third party directly and not to the borrower

Expenditure should have been incurred over and above the margin and should be related to the project for which the term loan is sanctioned

Amount of reimbursement not to exceed 50% of amount over and above the stipulated margin.

The amount claimed for reimbursement should have been spent within 6 months prior to date of request for purchase of Machinery or Equipment.

Reimbursement for purchase of land and development of land is not permitted.

Any deviation on the above to be considered one authority higher than the sanctioning authority for accounts up to the powers of COLCC (GM)

Reimbursement of TL as per the above guidelines to be considered by ZLCC (DGM) / ZLCC (GM) for accounts falling up to the powers of ZLCC. For other accounts falling under CO Powers, respective sanctioning authorities can approve

Post Sanction

Branch level: Branch Managers / Officers in charge of credit should conduct periodical post sanction inspection and record their observations in the visit report.

Category	Exposure	ZO/Officials conduct visit	Periodicity
A	Rs 25 cr & above	FGM	Yearly
B	Rs 10 cr to 25 Cr	ZM	yearly
C	Rs 5 Cr to 10 cr	DZM	Yearly
D	Rs 2 cr to Rs 5 cr	CM(ZO)	Yearly

Branch executive /officials should accompany to FZM/ZO during visit. During unit inspections, large book debts at random should be cross checked with the invoices.

Validity of the Ratings

Generally, ratings are assigned based on audited financial data or accepted projected financials. In certain cases where provisional financial data (i.e., unaudited) alone is available, the ratings may be worked out based on such provisional data also. The validity of the ratings is as specified below:

	Particulars	Validity period
1	<ul style="list-style-type: none"> Rating based on audited data for entity required to get audited Rating based on audited or unaudited data for entity not required to get audited 	Internal rating should be completed by 31st Dec of next financial year of rating and it should be authorised by 31st March of next financial year of rating. Validity of the rating will be 24 months from the end of financial year of the rating.
2	Rating based on Provisional Company Financial Data	3 months from the due date of submission of return to income tax authority
3	Rating based on Projected Company Financial Data	6 months from the date of first year of financial projections.
4	Project rating	18 months from the financial closing date of rating year, and is to be reviewed based on the progress / available financials of the project, till publication of financial results for the first year of commercial operation.

On expiry of validity of rating, interest rate will be revised to the interest rate applicable for unrated exposure.

Dynamic internal rating System

Internal rating to be conducted more than once in a year in following cases:

- Internal rating to be conducted in an interval of 6 months for listed corporate borrowers having exposure of Rs 250.00 crore and above.
- Internal rating to be conducted within 1 month from the external rating downgrade when the external Credit rating has downgraded for a particular borrower.
- Internal rating to be conducted in an interval of 6 months for Corporate borrowers with external rating 'C' or 'D'
- Internal rating to be conducted within 1 month where there is adverse news in the market about the borrower.

Down gradation in internal rating

Wherever there is a down grade in rating, the following actions will be taken at Branch/ZO/FGM level based on applicability:

- The interest rate applicable to such borrowal account shall be refixed based on downgraded rating.
- Any kind of relaxation on interest rate or other charges on such accounts should be reviewed and it should be referred to the appropriate sanctioning authority for concession in interest rate or other charges.
- Any proposals for enhancement in limits or sanction of new facility to borrowers downgraded to below investment grade, shall be recommended to next higher sanctioning authority.

- For review/renewal of existing limits, respective sanctioning authority can consider irrespective of any down gradation in internal rating.
- Any borrowal account which slips to NPA will be downgraded to D category.
- For rating proposals approved at Corporate Office level, a copy of the rating communication will be sent to Credit Monitoring Department and respective functional credit department at corporate office and respective Zonal Offices & FGM Offices for stepping up the monitoring mechanism and for ensuring maintenance of asset quality.
- Such downgraded accounts are being scheduled for review in LRMC. This process is ongoing and hence mitigation gets reinforced after each quarter to ensure better asset quality.

Market Intelligence:

Confidential opinion on the applicant should be gathered from market sources by making discreet enquiries from persons connected with similar lines of business as also by visiting his place of business/residence. Enquiries may also be made with the buyers of products and suppliers of raw materials, etc, about the applicant's reputation and to ascertain the quality of products as also about financial discipline.

In the case of existing borrowers too, the branches should gather market intelligence on their activities/performance through press reports/other banks/credit rating agencies, etc. Constant interaction with the market would enable the branch to know the status of the borrower's business.

In the case of small borrowers, the branch should satisfy itself whether the borrower resides/undertakes activity within the area of operation of the branch. Further, his residential/business premises should be got confirmed through ration cards, voter ID cards, tax paid receipts, licence for carrying business, etc. Discreet enquiries should be made from the local residents and nearby shops/establishments about the financial standing / reputation of the borrower. Offices/branches shall make use of the meetings at Panchayat/Block/Corporation level for getting market reports on parties, local industries, etc. Branches shall make frequent visits to the existing and prospective borrowers and also meet the creditors and debtors of borrowers, who will give vital information about the customers, performance of the industry, how they are behaving, etc.

Wherever multiple finance is involved, offices/branches shall exchange information with other banks without fail as per the periodicity and procedure laid down.

Risk Based Pricing:

Pricing is essentially a function of risk, tenor and market dynamics. The decision of the interest rate being either fixed or floating shall depend on the nature of the product being offered, market conditions, cost and source of funds. RBI directed all Banks to link all new floating rate for personal and retail loans (Housing, auto, etc) and floating rate to Micro and Small Enterprises, effective from October 01, 2019 to External Benchmarks. In conformity with the directions, our Bank on approval of Board adopted the RBI policy on Repo Rates (hereinafter called REPO RATE). With a view to further strengthening monetary policy transmission, all new floating rate loans to the Medium Enterprises extended by banks from April 01, 2020 shall be linked to the external benchmarks. However, the following categories of loans could be priced without reference

to the MCLR: (a) DRI (b) Working capital Term Loan (WCTL), Funded Interest Term Loan (FIRL), etc. granted as part of the rectification/restructuring package. (c) loans to banks' depositors against their own deposits (d) Crop Loans where subvention facility is available to borrowers (e) Export Credit where subvention facility is available to borrowers (f) Loans granted under refinance schemes formulated by Government of India. (g) Advances to Banks' own employees including retired employees. Risk-based pricing is the alignment of loan pricing with its expected risk. It may also be used to drive the loan price. The risk-based pricing process involves correctly gauging the riskiness of a borrower in terms of credit risk and charging him appropriately to reflect Probability of Default (PD) and the expected Loss Given Default (LGD). Borrowers whose risk is high will be charged a higher interest rate. Risk-based pricing builds on the net interest margins calculations by adding to the cost of funds (cost of transactions and account maintenance, cost of expected loss and of capital for the unexpected loss due to the risk of default).

Due Diligence:

Due diligence on all Entities/Promoters/Partners/ Trustees/ Directors/Guarantors needs to be carried out with a view to being satisfied about their credentials, and for ensuring compliance with the guidelines on KYC and AML under Prevention of Money Laundering Act.

Due diligence particularly in relation to promoters and management should reckon/cover aspects like experience, professionalism, integrity, vision, track record of meeting commitments to lenders, industry experience, history of strategic initiatives, governance practices and record of adherence to covenants.

Assessment of the profile of the borrower:

A Comprehensive assessment of the profile of the borrower has to be made on the following aspects while appraising the credit needs of the borrower:

- a. Purpose / need for credit,
- b. Types of facilities required,
- c. Due diligence on the Borrower(s) /Guarantor(s)/Group(s)
- d. Borrower's business expertise, status of his economic activity,
- e. Current risk profile and its sensitivity to changes,
- f. Internal Credit rating,
- g. External credit rating, wherever applicable,
- h. Track record of repayment / cash flow projections for capacity to repay,
- i. Legal capacity to assume the liability,
- j. Adequacy and enforceability of the tangible securities / guarantees under various Scenarios.
- k. Verification of PAN Card details
- l. Verification of DIN/Father's name
- m. Verification of Detect report from CRIF Highmark / CIBIL / Experian / Equifax
- n. Market information on Promoter(s)/company/firm/group companies / partners
- o. Verification of CRILC
- p. Verification of Central Fraud Registry in respect of accounts with exposure of Rs 1 crore and above

Check List for Verification

While entertaining proposals, it is to be verified whether the names of the borrower / Directors / Promoters find place in:

RBI Defaulters List – Non-suit filed

RBI Willful Defaulters List – Non-suit filed

RBI Caution list circular issued from time to time OTS List

CIBIL: Suit Filed account of Rs.1.00 crore and above

CIBIL Willful defaulters list of Rs.25.00 lakh and above

CIBIL: Suit Filed account of below Rs.1.00 crore (updated on daily basis) CIBIL Willful defaulters list of below Rs.25.00 lakh (updated on daily basis) ECGC – SAL

CIBIL Detect CERSAI Registration CRILC

Banned List of Promoters of SEBI

List of Disqualified Directors available in the website of Ministry of Company affairs (MCA)

Central Fraud Registry in respect of accounts with exposure of Rs 1 crore and above

If name is found reported, the reason for such inclusion must be discreetly studied /clarified from the reporting bank/financial institution directly. The details of the Lists verified shall be recorded /reported in the proposal.

Besides the above, the credit history of the borrowers should also be checked against the information available in the database built by Credit Information Bureau, such as CRIF HIGHMARK, CIBIL, EXPERIAN and EQUIFAX. Presently, the credit information provided by Credit Information Bureau in its website contains both consumer and commercial credit reports pertaining to individuals/other entities. Therefore, these consumer/ commercial credit reports shall invariably be obtained from Credit Information Bureau's website, as specified by bank (at present CRIF HIGHMARK/ CIBIL/ EXPERIAN/EQUIFAX) in the case of all new accounts and existing accounts (at the time of renewal). Wherever access to Credit Information Bureau is not available, branches to seek the help of ZO for verifying the credit history of the customer. The consumer credit report shall be obtained in respect of the proprietor, partners, directors, guarantors etc. and also, the commercial entity.

Branches/offices shall invariably draw Detect Search Report in addition to the Credit Information Report from CRIF HIGHMARK/ CIBIL/ EXPERIAN/EQUIFAX and satisfy themselves that there is no adverse information about the borrower in the reports drawn. At least one commercial CIR shall be obtained for corporate borrower with exposure equal to greater than Rs 50 lac and less than Rs 5 cr. 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. In all cases of fresh sanction, pre appraisal/pre sanction unit visit has to be made by branches. --Personal guarantee of the spouse to be encouraged for credit facilities extended to all types of borrowers.

Personal guarantee of promoters to be endeavored while taking fresh exposure which is below investment grade. In case of companies, whether private or public

which are under professional management, guarantees may not be insisted upon from persons who are connected with the management solely by virtue of their professional/technical qualifications and not consequent upon any significant shareholding in the company concerned.

The appraisal shall evaluate the key risk indicators of the relevant industry in which the borrower is engaged.

In all credit proposals, the details of inspection of securities, observation, follow up action taken and compliance of Terms & Conditions of the sanction to be incorporated. In case of Export advances, adverse features noticed shall be informed to ECGC along with the action taken thereon, under reference of ECIB cover.

--Passport details of Directors/Guarantors/Promoters for advances of Rs 5 crore and above to be captured.

--In case of unsecured loans of Rs 5 crore and above (where total value of primary as well as collateral security is less than 10% of loan amount), guarantees may be insisted from major shareholders having stake of 5% or more, irrespective of being in management or not. Administrative clearance for relaxation to this can be permitted by next higher authority for proposals falling upto COLCC(GM) Power. COLCC(ED) and above can permit this relaxation falling under their respective sanctioning powers.

Director Identification Number and RBI Regulatory Requirement:

Defaulters list: Many a time, the names of the Directors of various firms / companies are similar. It is therefore, necessary to ensure that directors are correctly identified and in no case, names appearing to be similar to the names of the Directors are appearing in the list of Wilful defaulters / defaulting borrowers, is wrongfully denied credit facilities on such grounds. To avoid such situations, it has been decided by RBI that Director Identification Number (DIN) should be included as one of the fields in the data submitted by Banks to Credit information companies / RBI.

As per RBI Circular letter DBOD.NO.CID.40/20.16.046/2010-11 dated 21/09/10, it is a regulatory requirement to incorporate the Director Identification Number (DIN) in all Defaulters / Wilful Defaulters list wef 31/12/10. Hence, branches to obtain the DIN at the time of opening of accounts in respect of all the Limited companies. At the time of entertaining credit proposals, the DIN number to be mentioned for all the Directors in the Credit appraisal format. Wherever the name of the Director is appearing in the defaulters list, the same should be counter checked necessarily with DIN number of the Director.

Non-Cooperative Borrowers

While issuing guidelines on Joint Lenders Forum (JLF) and Corrective Action Plan (CAP), RBI has defined Wilful Defaulters, Non-Cooperative borrowers and also the provision requirement for Non- Cooperative borrowers. The same was communicated vide Circular Adv 5/2014-15 dated 01 04 2014.

RBI has subsequently modified the definition for Non-Cooperative Borrowers and the measures to be followed for classifying/declassifying a borrower as Non-Cooperative borrower and reporting information on such borrowers to Central Repository of Information on Large Credits (CRILC). Detailed guidelines are given as per Circular No. ADV-177/2014-15 dated 02.03.2015.

Frequent changes in Management structure

Department of Financial Services, Ministry of Finance, vide their letter dated 08.01.2015, observed that some of the borrowing companies are going for frequent changes in their management structure. Hence, field level functionaries are advised to be more vigilant and complete the process of due diligence while dealing with such borrowing companies where frequent changes in management structure are observed.

Hereafter, all proposals should contain the information with regard to the change of management, if any, subsequent to the last sanction /review /renewal along with the views/ observations on the change in the management.

Declaration regarding dues to statutory authorities

Branches should ensure that the Government dues owed by the borrowing entities such as dues to Provident Fund, Employees State Insurance Corporation, CENVAT, Sales Tax, Income Tax, Labour Dues are paid up to date. Branches shall obtain a Certificate from an independent Company Secretary or from a Chartered Accountant to this effect on a yearly basis, for the borrowal accounts of Rs. 5 Crore and above, and keep the same on record after verification.

Information of Pledge of Shares by promoters:

To ensure non-dilution of the stake by the promoters of the company for which Bank has considered facilities, the information / data of pledge of shares by the promoters to other Financial Institutions/Banks needs to be in place.

SEBI has mandated disclosures regarding pledge of shares by the promoter and persons forming part of the promoter group to the stock exchanges, where shares of the company are listed.

Hence, the Branches / Zonal Office shall collect copy of the details submitted to SEBI from the listed companies for whom our Bank has considered facilities (more than Rs.10 Crore) on a monthly basis and submit the same to the sanctioning authority. If the borrower is an unlisted company, the information shall be obtained from the company / signed by the company secretary and submitted to Sanctioning Authority.

Advances against Sensitive Commodities

With a view to preventing speculative holding of essential commodities with the help of bank credit and the resultant rise in their prices, RBI stipulates specific restrictions on bank advances against specified sensitive commodities.

Presently, the following commodities are covered under stipulations of selective credit control only for the purpose of stipulating minimum margin.

- a) Buffer stock of sugar with Sugar Mills – minimum margin 0%
- b) Unreleased stocks of sugar with Sugar Mills representing
 - i. levy sugar - minimum margin 10%
 - ii. free sale sugar- minimum will be decided by banks based on their commercial judgment.

Branches should ensure the purpose of directives issued to prevent speculative holding of essential commodities and it should not be defeated while considering loan proposals for this sector.

Furnishing of Registration Number and Complete address by Practicing Company Secretary/ Chartered Accountant/Stock Auditors-Verification of address of CA through website of ICAI

Wherever certificates from the Company Secretary / Chartered Accountant / Cost Accountant/Stock Auditors are submitted, the Institute registration number and full address should be obtained. Wherever Certificates from CAs are obtained, the same need to be verified as to their genuineness. Genuineness of ABS/any other document certified by CA to be established through verification of UDIN from unique Document Identification portal introduced by ICAI.

Branches to utilize the Unique Document Identification Number Portal introduced by Institute of Chartered Accountants of India for the same.

Wherever the financials certified by CAs are found to be fudged, procedural guidelines of the Bank for reporting their names as third-party entities involved in frauds, to IBA (through CO/Inspection Department) should be complied with.

Role of third-party intermediaries (Department of Financial Services, Ministry of Finance have sent actionable points emerged out of the conference of CVO's of PSBs, FIs and PSICs held on 02/11/2011 at New Delhi):

In the light of the guidelines issued by DFS, MOF, wherever there is a contract with intermediaries while entrusting the job of Stock Audit, Concurrent Audit, Legal Audit, Legal opinion, Engineer's valuation, Chartered Accountant Certificates etc, a condition to be incorporated that "I/We certify that this certificate is issued after verifying the necessary details and I / we are aware that giving false certificate is a criminal act and is a punishable offence". The condition is to be incorporated in all letters issued while appointing Advocates, Valuers, and Chartered Accountants for Legal Audit, Stock Audit, Legal opinion, Engineer Valuation etc and also for getting all Chartered Accountant certificates.

Third Party interference in Loan Processing:

All appraisal notes should contain a clause "No Third party is involved at any stage in the loan sanction process".

All loan proposals that are submitted to Corporate Office should be accompanied by a Certificate signed by Branch Manager/Zonal Manager stating that no third party is involved at any stage in the process of loan proposal. Circular ADV-183/2015-16 dated 19.12.2015

Bridge Loans

Banks have been permitted to sanction bridge loans to companies for a period not exceeding one year against expected equity flows/issues. Such loans should be included within the ceiling of 40% of the bank's net worth as on March 31 of the previous year prescribed for total exposure including both fund based and non-fund based exposure to capital market in all forms.

Banks should exercise due caution and attention to security for such loan.

Banks may also extend bridge loans against the expected proceeds of Non-Convertible Debentures, External Commercial Borrowings, Global Depository Receipts and/or funds in the nature of Foreign Direct Investments, provided the banks are satisfied that the borrowing company has already made firm arrangements for raising the aforesaid resources/funds.

Commercial Paper (CP)

A well rated company can diversify its source of finance from banks to short term money markets at a somewhat cheaper cost by issuing 'Commercial Paper'. Commercial paper is a short term negotiable money market instrument with a fixed maturity. It is issued on a discount to face value. The issuing company promises to pay the investor the sum of money promised but does not charge any asset as security. Commercial paper can be issued directly by a company to investors or through banks/merchant banks. The guidelines in force are:

- A company can issue Commercial Paper only if it has a tangible net worth of not less than Rs.4 crores as per the latest audited balance sheet, a fund-based working capital limit of Rs.4 crores or more, P2 - credit rating of the Credit Rating Information Services of India Ltd. (CRISIL) of not more than two months old. The rating A2 made by Information and Credit Rating Agency of India (ICRA) or PR2 in the case of Credit Analysis and Research Ltd (CARE) or Ind.D2 in the case of Duff and Phelps Credit Rating India Pvt Ltd. (DCR India). Besides, the borrowal account of the company should have been classified as a Standard Asset by the financing bank.
- Commercial Paper can be issued for a maturity period of 15 days (minimum) and more but less than one year from the date of issue.
- Commercial Paper can be issued in multiples of Rs.5 lakhs but the minimum amount to be invested by a single investor in the primary market shall be Rs.25 lakhs (face value) provided that the secondary market transacting may be for amount of Rs.5 lakhs or in multiples thereof. Maximum amount upto which a company can issue shall not exceed the working capital (fund based) limit sanctioned by Bank/Banks to an issuer company. Hence to the extent CP is issued, working capital limit should be reduced. Any request for restoration of working capital (fund based) credit limit consequent on repayment of commercial paper should be decided by the competent authority based on the merits of each case.
- The paper may be issued on a single date or in parts on different dates covering a period of two weeks from the date on which the proposal is taken on record by the financing bank. When issued in parts, each commercial paper shall have the same maturity date.
- The company proposing to issue commercial paper has to submit a proposal in the prescribed form to the financing bank together with certificate covered by Credit Rating Agency. The financing bank shall scrutinise the proposal and on being satisfied as to eligibility criteria and compliance with terms and conditions stipulated shall take the proposal on record.
- The commercial paper has to be issued expeditiously say within seven working days from the date on which the financing bank has taken the proposal on record. The company therefore should make arrangements for privately placing the issue (to be completed within two weeks)

Commercial Paper can be issued in the form of usance promissory notes negotiable by endorsement and delivery and the rate of discount could be freely determined by the company issuing commercial paper.

Commercial papers are also subject to payment of stamp duty as applicable.

Commercial paper can be issued to any person or corporate bodies registered or incorporated in India (including banks) as well as unincorporated bodies. Non-resident Indians (NRIs) can, however, invest in Commercial Paper only on non-repatriation basis and such a commercial paper shall not be transferable.

External Commercial Borrowings (ECBs)

Such borrowing may be used for financing new as well as expansion projects. These may include

- Buyers' credit
- Supplier's credit
- Commercial Bank Loan
- Commercial Borrowings from agencies like Asian Development Bank, International Finance Corporation etc.,

It is possible to raise resources by external commercial borrowings through instruments like Floating Rate notes, Fixed rate Bonds, etc.,

The ECBs are governed by RBI guidelines issued from time to time which inter alia include guidelines on the parking of funds raised either in India or abroad, security and extent of entitlement to ECB for a project.

RBI Guidelines for Financing of projects

Banks are free to sanction term loans for technically feasible, financially viable and bankable projects, including projects involving creation of infrastructure facilities within the overall ceiling of the prudential exposure norms prescribed by Reserve Bank of India viz., 25% of the capital funds in case of an individual borrower and 50% in the case of borrower group. The Group exposure norm of 50% can be exceeded by 10% provided the additional exposure is for the purpose of financing infrastructure projects, viz., projects in areas of power, telecommunications, roads and ports. The sanction of term loans would, however, be subject to the following terms and conditions.

For lending to public sector units, banks must ensure that such public sector undertakings are registered under the Companies Act, 1956, or are established as Corporations under relevant Acts. Further, such public sector undertakings must be run on commercial lines and the repayment of term finance/loans should be made out of the income to be generated by the project and not out of the subsidies made available to them by the Government.

For infrastructural development projects, banks must additionally ensure that they are being implemented without the support of budgetary allocation i.e. projects funded out of budgetary resources, or where a firm commitment for budgetary support has been made and is in operation, should not be sanctioned term finance/loans by banks.

Banks must evolve an appropriate debt-equity ratio for each project.

Rates of interest to be charged by commercial banks should be in conformity with the interest rate directives issued by RBI from time to time.

Banks are free to decide the period of term loans keeping in view the maturity profile of their liabilities.

Banks must also ensure that they have the requisite expertise for appraising technical feasibility, financial viability and bankability of projects, with particular reference to risk analysis and sensitivity analysis. Banks, if they so desire, may take assistance of the consultants approved by IDBI for appraisal of a project. In cases, where banks extend term finance/loans jointly with all-India financial institutions, they may, if they so desire, undertake such appraisal jointly with them.

Lending to Non-Banking Finance Companies (NBFC):

The ceiling on Bank Credit linked to Net Owned Funds of such companies which are statutorily registered with RBI and are engaged in principal business of Asset Financing, loan, factoring and investment activities has been withdrawn by RBI and full operational freedom has been bestowed upon Banks in the matter of credit dispensation.

Reserve Bank has permitted banks to extend need based working capital facilities as well as term loans to all NBFCs registered with RBI and engaged in Infrastructure financing, equipment leasing, hire purchase, loan, factoring and investment activities.

Accordingly, Term loan as well as Working Capital credit needs of NBFCs and HFCs will be assessed based on the cash flow.

In case of Residuary Non-Banking Companies, bank finance would be restricted to the extent of their Net Owned Fund (NOF). Extension of finance to NBFCs against second hand assets financed by them is now permitted following policy modification effected by RBI.

Bank finance to NBFCs not requiring Registration:

- Insurance Companies Registered under Section 3 of the Insurance Act 1938
- Nidhi Companies notified under Section 620 A of the Companies Act 1956
- Chit Fund Companies carrying on Chit Fund business as their principal business
- Stock Broking Companies/Merchant Banking Companies registered under SEBI
- Housing Finance Companies being regulated by National Housing Bank (NHB) which have been exempted from the requirement of registration by RBI.

Bank shall not grant any finance to NBFCs for:

- Bills discounted / rediscounted by NBFCs (except arising from sale of commercial vehicles, two wheelers and three wheelers),
- Investments made by NBFCs in shares, debentures etc.
- Bridge loans of any nature or interim finance against capital / debenture issues by the Bank to NBFCs,
- Unsecured loans / inter-corporate deposits by NBFCs to/in any company,
- All types of loans / advances by NBFCs to their subsidiaries, group companies / entities
- Finance to NBFCs for further lending to Individuals for subscribing to Initial Public Offerings (IPOs) and for purchase of shares from secondary market.

Other Restrictions

Further, Shares and Debentures cannot be accepted as collateral securities for secured loans granted to NBFCs borrowers for any purpose.

Banks should not execute guarantees covering inter-company deposits / loans thereby guaranteeing refund of deposits / loans accepted by NBFCs / firms from other NBFCs / firms. The restriction would cover all types of deposits / loans irrespective of their source, including deposits / loans received by NBFCs from trusts and other institutions.

Guarantees should not be issued for the purpose of indirectly enabling the placement of deposits with NBFCs.

Prudential Norms:

As per the revised regulatory framework for NBFC issued by RBI dated 10.11.2014, following are the prudential regulations:

NBFCs –ND with asset size of less than Rs.500 Cr, are exempted from CRAR requirement and a leverage ratio of 7 is introduced for all such NBFCs-ND. Leverage ratio is defined as Total Outside liabilities/Owned funds.

For NBFCs –ND – SI (asset of Rs.500 Cr & above) and all NBFCs-D:

At present, CRAR: 15 % of which, Tier I capital cannot be less than 7.5 %, For Infrastructure Finance Companies: 10 % and for NBFCs engaged in lending against Gold Jewellery: 12 %

By the end of March 2016: Minimum Tier I Capital: 8.5 % By the end of March 2017: Minimum Tier I Capital: 10 %

Opening of Current Accounts by Branches - Need for Discipline

While opening a current account, branches should verify the data available in CRILC database whether the customer is availing of credit facility from another bank. For the purpose of verifying the CRILC database at the time of opening the account, a link has been provided in Helpdesk with the following Navigation: Desk officer >> Deposits >> CRILC - Borrower. After verification, branches have to make entry in the respective opening forms for having verified the same

1. In case of customers who have not availed CC/OD facility from any bank, banks may open current accounts as under:
 - In case of borrowers where exposure of the banking system is ₹50 crore or more, banks shall be required to put in place an escrow mechanism. Accordingly, current accounts of such borrowers can only be opened/maintained by the escrow managing bank. However, there is no restriction on opening of 'collection accounts' by lending banks subject to the condition that funds will be remitted from these accounts to the said escrow account at the frequency agreed between the bank and the borrower. Further, the balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. While there is no prohibition on amount or number of credits in 'collection accounts', debits in these accounts shall be limited to the purpose of remitting the proceeds to the said escrow account. Non-lending banks shall not open any current account for such borrowers.
 - In case of borrowers where exposure of the banking system is ₹5 crore or more but less than ₹50 crore, there is no restriction on opening of current accounts by the lending banks. However, non-lending banks may open only collection accounts as defined at (v) (a) above.
 - In case of borrowers where exposure of the banking system is less than ₹5 crore, banks may open current accounts subject to obtaining an undertaking from such customers to the effect that customers shall inform the bank(s), if and when the credit facilities availed by them from the banking system becomes ₹5 crore or more. The current account of such customers, as and when the exposure of the banking system becomes ₹5 crore or more and ₹50 crore or more, will be governed by the provisions of para (v) (b) and (v) (a) respectively.
 - Banks are free to open current accounts of prospective customers who have not availed any credit facilities from the banking system, subject to necessary due diligence as per their Board approved policies.

2. Borrowers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system as per the provisions below:

- For borrowers, where the exposure of the banking system is less than ₹5 crore, there is no restriction on opening of current accounts or on provision of CC/OD facility by banks, subject to obtaining an undertaking from such borrowers that they shall inform the bank(s), as and when the credit facilities availed by them from the banking system reaches ₹5 crore or more.
- In respect of borrowers where exposure of the banking system is ₹5 crore or more, such borrower can maintain current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10 per cent of the exposure of the banking system to that borrower.

Further, other lending banks may open only collection accounts subject to the condition that funds deposited in such collection accounts will be remitted within two working days of receiving such funds, to the CC/OD account maintained with the above-mentioned bank maintaining current accounts for the borrower. In case none of the lenders has at least 10% exposure of the banking system to the borrower, the bank having the highest exposure may open current accounts. Non-lending banks are not permitted to open current accounts.

Further, banks are permitted to open/ maintain the following accounts, without any restrictions placed in terms of the above-mentioned circular dated August 6, 2020, subject to meeting the conditions specified as at para 2 of DOR.No.BP.BC.30/21.04.048/2020-21 dated December 14, 2020: (i) Inter-bank accounts

- Accounts of All India Financial Institutions (AIFIs), viz., EXIM Bank, NABARD, NHB, and SIDBI
- Accounts opened under specific instructions of Central Government and State Governments
- Accounts attached by orders of Central or State governments/regulatory body/Courts/investigating agencies etc. wherein the customer cannot undertake any discretionary debits

While opening a current account, branches should verify the data available in CRILC database whether the customer is availing of credit facility from another bank. For the purpose of verifying the CRILC database at the time of opening the account, a link has been provided in Helpdesk with the following Navigation: Desk officer >> Deposits >> CRILC - Borrower. After verification, branches have to make entry in the respective opening forms for having verified the same.

Bonus Loan:

The Bank as a regular policy for over a period has been sanctioning Bonus Loans as Short Term Loan with six months tenor exclusively to our existing corporate and Non- Corporate clients including service institutions such as hospitals and educational institutions. Short Term Loan repayable in 6 monthly instalments is extended for enabling the management of the industrial establishment to meet the commitment on Bonus and to tide over temporary cash flow mismatches.

Target Group covered under the Policy:

- Existing borrower Customers enjoying Working Capital facility under corporate as well as Non-Corporate can borrow.
- Any borrower customer either under manufacturing or under service industry like educational institutions, hospitals, etc can borrow.

- Bonus loan can be considered for any festival only once in a financial year.

Terms & Conditions:

- Loan will be considered only for borrowers classified as Standard Assets and for units under rehabilitation which are regular in their repayment obligations as per nursing programme.
- In respect of accounts which are temporarily irregular / substandard, the Bonus Loan may be sanctioned by Management Committee on selective basis.
- Earlier Bonus Loan if any should have been adjusted on the due date
- Monthly interest charged on all existing accounts should have been serviced up to the end of the previous month.
- Bonus Loan up to the statutory minimum of 8.33% of the Salary and Wages may be sanctioned without any margin. Bonus Loan sanctioned in excess of 8.33% subject to a maximum of 20% will carry a margin of 25%.
- Loan to be repaid in 6 equal monthly instalments excluding one month holiday period.
- Borrowers to submit cash flow statement which must reflect sufficient cash generating capacity to service the loan.
- Existing charge on current assets to be extended to cover the Bonus Loan also. Wherever exclusive charge on fixed assets is available to Bank, they should be extended to cover Bonus Loan.
- In case of consortium accounts, where we are a member, and only if our Bank sanctions Bonus Loan, we should obtain undertaking letter from the company prioritizing the monthly repayment of the bonus loan over the other loans and **NOC to be obtained from other participating Banks for**
 - Ceding paripassu charge on current assets and
 - Our prior charge on future cash flows for monthly repayment of bonus loan.
- In case of consortium accounts Where we are leader, lending such loans to be considered subject to obtention of NOC from other member banks for;
 - Ceding paripassu charge on current assets and
 - Our prior charge on future cash flows for monthly repayment of bonus loan.
- Repayment of Bonus Loan should not cause any irregularity in existing cash credit accounts.
- Last audited financial statements submitted to the bank should not be more than 6 months old.
- The account should not have been reported as SMA2 category to CRILC either by our bank or other banks.

Interest rate on Bonus Loan:

Interest on Bonus Loan shall be at 1% over the prescribed rate (prescribed rate is the applicable rate of interest for working capital limits sanctioned / approved to the respective borrower) or MCLR+4.45% whichever is higher.

Line of credit

The line of credit will be allowed to meet requirement under working capital facilities (funded and/ or non -funded) /short term loan(both secured and unsecured) to have a flexibility to the

borrower for utilizing the limit as per requirement. This system will essentially facilitate medium/large business units in efficient management of their borrowing requirements within the sanctioned Line of Credit facility. A combined limit may be sanctioned under the Line of Credit as short term loan, Cash Credit (stocks and receivables), LC (DA), BG Limits for giving freedom for the borrower to utilize the entire sanctioned limit as per their need. Bank may cater to their needs depending upon mutually agreed terms and conditions.

The facility shall be permitted only to PSUs and blue chip companies which are rated 'A' (External rating) and above falling under the powers of COLCC(ED) / CAC / MCB. End use should be ensured in all sanctions/disbursements. However, CAC shall be authorized to permit relaxation in credit rating on a case to case basis. The period shall be a maximum of 1 year. These facilities shall be unconditionally cancellable in case of non-availment.

Clean Loans:

RBI has withdrawn the cap on unsecured exposure and assigned freedom to the Board of the Banks to have their own policy on unsecured exposure. Accordingly our Bank has evolved a policy on the same and the exposure limit is defined in Credit Risk Management Policy.

Types of clean loans:

- While evaluating the working capital requirement, any short fall / gap in chargeable current asset, is assisted by way of unsecured facility, to be cleared over a period depending on the cash generation, and on the merit of the case.
- Clean packing credit for the purpose of meeting processing charges, freight charges to be adjusted by way of negotiation / discount of bills.
- Special loans to Staff earmarking their PF contribution.
- Personal loans such as loan to salaried class, professionals, pensioners under structured schemes and clean loans to societies/association for disbursement to their members. Salary loans to Individual/Group outlay.
- Wherever security is not a pre-requisite as per RBI guidelines – such as Small loans up to Rs.50,000/-, Educational loans up to Rs.4.00 lakh
- Funding of shortfall in DP as WCTL for the restructured accounts under restructuring programme not covered any other collateral security.
- Bonus loans / Loans for VRS scheme of the borrower company based on future cash generation not covered any other collateral security.
- Clean Corporate loan to tide over the temporary mismatch and building up of NWC for the corporates with good track record
- Non-fund-based facilities like sanction of performance guarantees where advance value of available collateral securities is inadequate to cover the unsecured portion.
- However, for the purpose of Balance Sheet, Fund based/ Non Fund based with more than 10% security will be considered as secured.

Wherever feasible, collateral securities shall be insisted upon [except (e)].

Quarterly Information System (QIS)

While scrutinizing the QIS returns, branches should take the following aspects into consideration. QIS I

- Compare the information with projections for the whole year. Variations exceeding 10% for

the quarter to be enquired and discussed with the borrower.

- Bank borrowing to be within the eligible fund based working capital limit as per revised methodology.
- Net Working Capital (NWC) should cover at least 25% of current assets
- Current liability shall include annual maturing term liabilities also

a. QIS II

- Production and Sales shall be compared with earlier projections; so also current assets and current liabilities. Any variation over 10% on either side should be enquired to initiate corrective steps.
- Total current assets should not be more than the level accepted at the time of assessment. If it exceeds the accepted level, the borrower should justify the need for such excess holding. In such cases, the sources of funding for its procurement shall also have to be justified.
- Other current assets shall also be analysed with reference to their utility.
- Any abnormal variation in trade creditors and statutory liabilities shall be taken note of.
- Variation in NWC compared with the actuals of previous quarters shall be analysed for possible diversion.
- Current ratio shall be worked out based on the laid down principles
- Actual sale and inventories of two quarters shall be compared with figures given in half-yearly statement. Cumulative sales for four quarters shall be compared with the audited accounts of the corresponding year.

b. QIS III

- Sales, cost of goods sold and other expenses and operating profit shall be studied to understand the trend. Any negative trend should be discussed with the borrower to ascertain the steps taken to improve the position. Thereafter progress shall be monitored regularly.
- Increase in sales with reduction in operating profit has to be traced to elements of cost of production and any disproportionate increase in cost to be reasoned out by the borrower along with steps to arrest declining margins.
- Variation over 10% between estimates and actuals shall be studied and analysed.
- Borrower should justify such variations to the satisfaction of the Bank
- Estimates for current half year as to its reasonableness shall also be ascertained based on actual performance of the previous half year.
- Actual sales and inventory reported for last 2 quarters should be compared with actuals of current half year to ensure accuracy of figures furnished.
- Valuation of current assets shall be always uniform as adopted in annual audited accounts
- Relationship between insured value of stock/security and value declared shall be studied. Any inadequacy has to be corrected

Concept of Willful Defaulters – RBI guidelines

A 'Wilful default' would be deemed to have occurred if any of the following events is noted:

- The unit has defaulted in meeting its payment / repayment obligations to the lender even when

it has capacity to honour the said obligations.

- The unit has defaulted in meeting its payment/repayment obligations to the lender and has not utilized the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilized for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
- The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable fixed assets or immovable property given for the purpose of securing a term loan without the knowledge of the bank / lender.

In respect of Non-Whole Time Directors the following criteria to be applied for classification them as Wilful Defaulter.

- Non-Whole time Director is aware of the fact of willful default by the borrower by virtue of any proceedings recorded in the minutes of meeting of the Board.
- The wilful default had taken place with consent of Non-Whole Time Director.

Classification of Trust Accounts as Wilful Defaulter :

In respect of “Trust” whether Public or Private, irrespective of the purpose for which they have been incorporated would be liable to be classified as Wilful Defaulter subject to the guidelines prescribed in the RBI Master circular dated 01.07.2015 and further modifications/additions from time to time. OTS sanctioning authority in the case of Wilful Defaulters and Non-cooperative Borrowers will be MCB only.

Opening of Trust and Retention Account (TRA) for Consortium/MBAs

To improve the credit discipline in opening of Trust and Retention Account (TRA) it has been made mandatory for lending under Consortium / Multiple Banking Arrangement to control diversion of funds by the delinquent borrowers.

TRA mechanism has been a common feature in financing of infrastructure projects. It seeks to protect the project lenders against the credit risk (the risk of debt service default) by insulating the cash flows of the project company. This is done through shifting the control over future cash flows from the hands of the borrowers (Project Company) to an independent agent, called TRA agent, duly mandated by the lenders.

The infrastructure projects are executed through a separate company created for the purpose (called 'Special Purpose Vehicle' - SPV) and the shares of the SPV would normally be held, among others, by the sponsors of the project. The cash flows of the SPV (Project Company) are subjected to a TRA arrangement. Under this arrangement, the lenders, the borrower and the TRA agent enter into a tri-partite agreement, which provides for all revenues of the project to be directed into a single account, maintained with the designated TRA agent. The lenders, in consultation with the borrower, draw up a detailed mandate for the TRA agent as to periodic transfer and utilisation of funds available in the TRA. The mandate basically spells out the manner and purpose of various payments including the debt service to the

lenders. The payment to the lenders is to be made directly by the TRA agent, as per its mandate, without any intervention by the borrower. For operational convenience, the TRA could be sub-divided into several sub-TRAs dedicated to separate heads of expenses / purposes. In case of multi-currency cash flows, there could also be separate TRAs with the same agent or different TRA agents for handling the cash flows in various currencies. Thus, the TRA agent acts as a trustee on behalf of the lenders and ensures that the cash flows are accessible to the borrower / Project Company, strictly as per the mandate. Thus, the TRA mechanism could be viewed as a sophisticated version of the traditional 'No Lien' accounts, on which the concerned bank could not exercise its right of general lien.

A Trust and Retention Account mechanism needs to be distinguished from an Escrow Account arrangement, though the two are somewhat similar. An Escrow Account is an arrangement for safeguarding the borrower against its customers from the payment risk for the goods or services sold by the former to the latter. This is achieved by removing the control over the cash flows from the hands of the customer to an independent agent, who in turn could ensure appropriation of cash flows as per the its mandate. The Escrow arrangement provides for directing a pre-determined payment stream from the customers of the borrower to a special account maintained with a designated agent. Payment / deposit by the user / buyer into such an account is assumed to be a valid discharge of his liability to the supplier of the goods / services. An Escrow arrangement involves parties different from the parties in a TRA mechanism. The Escrow arrangement would involve usually four parties: the lender, the borrower, the customers of the borrower and the Escrow Agent. The mandate to the Escrow Agent would normally be finalised by the lenders in consultation with the borrower and its customers.

Thus, for instance, in financing of a power plant which sells its power generated to a SEB, the Escrow arrangement would involve the power producer (borrower), the SEB concerned (customer), the bank / FI (lenders) and the Escrow Agent (a designated bank). The SEB would agree to direct its collection centres to deposit the electricity charges received from retail consumers, into a designated account with the designated bank (Escrow agent) and to direct its bulk consumers to deposit their payments directly with the Escrow Agent in the specified account. The Escrow Agent would then appropriate the funds in the Escrow account as per the priority laid down in the Escrow Agreement.

Monitoring of Devolved LC liability - SMA tracking based on Devolved LC Liability

The total liability in the running account viz., OCC/KCC/PC/OD including Adhoc facility and the devolved LC liability of the customer will be clubbed together for the purpose of SMA monitoring / compliance to IRAC norms. CO: Project Office will push the reports on a periodical basis and branches / zonal offices should verify the reports and discrepancies, if any, should be brought to the notice of Project Office / Credit Division.

Discount Rate for Computing Present Value of Future Cash Flows

According to RBI, for the purpose of determining the diminution in fair value of loans on restructuring, rate equal to the actual interest rate charged to the borrower before restructuring may be used to discount the future cash flows. In cases where the existing credit facilities to a borrower carry different rates of interest, the weighted average interest rate (with share of each credit facility in the total outstanding of the borrower as on the date of restructuring being used as weights) may be used as the discounting rate. This discount rate may be used to discount both the pre-restructuring cash flows as well as post-restructuring cash flows.

Exchange of Credit Information Reports (CIR) by Banks

The revised parameters for the Net Means approved by the Managing Committee of IBA and as per comparative detail of the existing guidelines and revised guidelines for issue of Credit Reports to other banks/ Financial Institutions except this all other existing guidelines on the subject matter shall continue.

Guidelines on Commercial Real Estate Proposals - Getting NOC / No Dues Certificate from department/Authority:

Following guidelines should be complied while dealing with the CRE proposals pertaining to Commercial Real Estate.

- Certificate at regular intervals should be obtained from the relevant statutory authority that all the dues payable to the authorities have been paid and no amount is outstanding
- Close watch on the contribution of margin money by the promoter to be observed so as to ensure that there is no diversion of funds by the promoter
- Verification of source of margin money contributed by the promoter to be ensured before sanctioning the finance as a common prudence.

Directions of Special Committee (Monitoring of Large Value Frauds)

Unit Inspection should be conducted as follows with regard to loans sanctioned by Branch Managers under MDL Powers. Whenever the loan is sanctioned by BM, next unit visit should be by ABM or any other officer of the Branch. Henceforth field level functionaries should ensure to the extent guidelines of the Bank and Unit Inspection should be carried out on regular basis for all borrowal accounts and it should be done on rotation basis amongst all Officers of the Branch.

Project Appraisal & Syndication (Revised Framework)

Mostly loans to individuals, sole proprietorship firms and partnership firms are provided by a single bank. Further, loans to agriculture, retail and MSME segment are generally being provided by single bank. If a borrower requires a large amount of funds or varied facilities, this is commonly provided by a group of lenders constituting Banks, NBFCs and other financial Institutions.

The process of assessment of funds requirement, arranging the lenders and closure of financial tie up is called **Debt Syndication**. Through debt syndication, the syndicator tries to bridge the separation between the promoters and lenders through its understanding and experience in the area. The expertise of syndicator provides the best to the investors and corporate, enabling them to take care of their business, stress free; helping them raise funds from banks, NBFCs, debts and mezzanine funds

A syndicated loan is one that is provided by a group of lenders and is structured, arranged, and administered by one or several commercial banks or investment banks known as Lead Arrangers.

Scope of Syndication:

- Project Finance - Working Capital & Term Loans
- Corporate Loans
- Structured & Trade Finance
- Promoter Funding
- Funding for Mergers & Acquisitions
- Overseas Funding (ECB, FCNR and FCCB)
- Mezzanine Funding

- Factoring Services, Bill Discounting (LC based and non-LC based) etc.

Debt Syndication Services by Indian Bank:

Debt Syndication is not new to our Bank and we were actively doing such activities during 2010-2012. Subsequently, due to economic downtrend and other issues, there was slowdown in syndication activities in the past few years. With our past experience in syndication, present strengths, competitiveness, competence, marketing skills, brand image of our bank and skilled manpower; we once again intend to provide the debt syndication services.

Board at its meeting held on 24th March, 2018 has approved the revised framework for Project Appraisal & Syndication.

Project Appraisal & Syndication (Revised Framework): Debt Syndication Services:

Project Appraisal & Syndication Cell (PA&SC) will provide the following services:

- Syndication / Joint Syndication
- Underwriting / Joint Underwriting
- Down Selling
- Refinance of Existing Debts
- Project Finance Advisory (In future)

Major steps involved in Syndication Process:

- Sourcing the prospective clients through the Marketing officers, credit team or otherwise.
- Meeting the client and preliminary assessment of credit requirements.
- Getting in-principle approval from the designated authority.
- Getting a mandate as to arrange credit on behalf of customer.
- Finalising deal timing, charges towards syndication/underwriting, other management expenses etc.
- Collection of upfront minimum commitment fee from the client.
- Finalizing the syndication strategy relating to coordination, communication and control and assignment of proposal to the team.
- Preparation of Information Memorandum (IM).
- Arranging TEV studies through outside reputed agencies.
- Appraisal of proposal by the branch and respective zonal office.
- Sanction of our share of debt through applicable sanctioning Authority..
- Meeting the other lenders for debt tie up.
- Arranging the presentations and facilitating the credit appraisals by other banks.
- Aligning the sanction terms of each bank or lender to have uniformity.
- Finalising the financial closure and allocation of share to each bank.
- Documentation and disbursement as per the project details.

Pricing (Fees and other income):

Fees and commissions charged should compensate the efforts involved, man hours spent, genuine transaction related expenses and result into profits also. As the syndication market is dominated by few well established players, fee and commission to be charged has to be very competitive and attractive for the corporate clients.

Considering the above and to sustain the market with the competitive rates, the following charges has been approved by the Board:

<u>External Rating</u>	<u>Syndication Charges</u>	<u>Underwriting Charges</u>
AAA/ AA/ A /PSU	0.05%-0.50%	0.25%-1.00%
BBB	0.15%-0.75%	0.40%-1.50%
BB	0.25%-0.75%	0.50%-2.00%
Others & Unrated Co.	0.10%-1.00%	0.25%-2.00%

Appraisal & Other Charges* -- Rs.5 lac-Rs.100 lacs

* The lower and upper range of % for total debt proposed under each category.

General Manager (Corporate Credit) at Corporate Office is empowered to indicate/quote/bid and finalise the service charges for syndication, underwriting or otherwise, irrespective of the amount of exposure or total debt amount.

Approval of further concession to any extent may be permitted by MD & CEO.

Resolution of Stressed Assets - Revised Framework

Board at its meeting held on 28.06.2019 approved Policy on Resolution of Stressed Assets –Revised Framework which is furnished. Board at its meeting held on 29.11.2018, approved the Policy on Resolution of Stressed Assets –Revised Framework (reference RBI circular DBR.No.BP.BC.101/21.04.048/2017-18 dt.12.02.2018). Hon’ble Supreme Court, vide its order dated April 2, 2019, had held theRBI circular dated February 12, 2018 on Resolution of Stressed Assetsasultra vires. In the light of the same, RBI has issued revised circular DBR.No.BP.BC.45/21/04/048/2018-19 dated07/06/2019 on Prudential framework for resolution of stressed assets. RBI has also advised that Banks shall put in place a Board approved policy for resolution of stressed assets, including the timelines for resolution.

In the light of the above, the Policy on Resolution of Stressed Assets is reworked and furnished as under:

A. Early identification and reporting of stress

1. Bank shall recognize incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories

SMA Sub-categories	Basis for classification –Principal or interest payment or any other amount wholly or partly overdue between
SMA 0	1-30 DAYS
SMA 1	31- 60 DAYS
SMA 2	61-90 DAYS

Default (Default means non-payment of debt (as defined under the IBC) when whole or any part or

instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be. For revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.) When Default is reported by any scheduled commercial bank, all India Term Financial Institution or Small Finance Bank, all lenders shall undertake a prima facie review of the borrower's accounts within 30 days from such default ("Review period").

2. In the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows:

SMA Sub-categories	Basis for classification –Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA 1	31- 60 DAYS
SMA 2	61-90 DAYS

3. Bank shall continue to report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (CRILC), on all borrowers having aggregate exposure of Rs.5 crore and above. The CRILC-Main Report shall be submitted on a monthly basis. In addition, the Bank shall submit a weekly report of instances of default by all borrowers (with aggregate exposure of Rs.5 crore and above) by close of business on every Friday, or the preceding working day if Friday happens to be a holiday. The term aggregate exposure under the guidelines would include all fund based and non fund based exposure, including investment exposure with the lenders.

B. Implementation of Resolution Plan

1. Since default is a lagging indicator of financial stress faced by the borrower, it is expected that the lenders including our Bank initiate the process of implementing a resolution plan (RP) even before a default. In any case, once a borrower is reported to be in default by our Bank or any of the lenders, they shall undertake a prima facie review of the borrower account within thirty days from such default ("Review Period"). During this Review Period of thirty days, Bank may decide on the resolution strategy, including the nature of the RP, the approach for implementation of the RP, etc. The Bank may also choose to initiate legal proceedings for insolvency or recovery.
2. In cases where RP is to be implemented, all lenders including our Bank shall enter into an inter-creditor agreement (ICA), during the above-said Review Period, to provide for ground rules for finalization and implementation of the RP in respect of borrowers with credit facilities from more than one lender. (In cases where asset reconstruction companies have exposure to the borrower concerned, they shall also sign the ICA and adhere to all its provisions). The ICA shall provide that any decision agreed by lenders representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of lenders by number shall be binding upon all the lenders. Additionally, the ICA may, inter alia, provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders, treatment of lenders with priority in cash flows/differential

security interest, etc. In particular, the RPs shall provide for payment not less than the liquidation value due to the dissenting lenders. The liquidation value would mean the estimated realizable value of the assets of the relevant borrower, if such borrower were to be liquidated as on the date of commencement of Review period. IBA vide its letter dated 18/06/2019 informed that as per the prudential framework if a default is reported by any of the lender Bank, the lenders shall undertake a prima facie review of the borrower accounts within 30 days from such default (“Review period”). During the review period, if the lender decide that the desirable resolution strategy for a borrower account is implementation of resolution plan, then all lenders are mandatorily required to enter into an Inter Creditor Agreement (ICA) within that Period. IBA has drafted the Inter Creditor Agreement (ICA) in consultation with Cyril Amarchand Mangaldas, the legal advisors to Sashakt Committee and sent a copy to all the Banks. The new agreement supersedes the ICA for resolution of stressed assets dated July 23, 2018 and could be adopted by the lenders for each of the cases which are required to be resolved through implementation of a resolution plan under the Prudential framework, with changes/modifications, if any, by way of addendum for any particular case.

3. In respect of accounts with aggregate exposure above a threshold with the lenders, as indicated below, on or after the ‘reference date’, RP shall be implemented within 180 days from the end of Review Period. The Review Period shall commence not later than:
 - The reference date, if in default as on the reference date; or
 - The date of first default after the reference date.

4. The reference dates for the above purpose shall be as under

Aggregate exposure of the borrower to lenders	Reference date
Rs.2000 Crore and above	07.06.2019
Rs.1500 crore and above, but less than Rs.2000 crore	January 1, 2020
Less than Rs.1500 crore	To be announced in due course

5. The RP may involve any action / plan / reorganization including, but not limited to, regularisation of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership and restructuring. The RP shall be clearly documented by the lenders concerned (even if there is no change in any terms and conditions). Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount / the amount of instalments / rate of interest; rollover of credit facilities; sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits; compromise settlements where time for payment of settlement amount exceeds three months.

C. Implementation Conditions for RP

6. RPs involving restructuring / change in ownership in respect of accounts where the aggregate exposure of lenders is Rs.100 crore and above, shall require independent credit evaluation (ICE) of the residual

debt by credit rating agencies (CRAs) specifically authorised by the Reserve Bank for this purpose. While accounts with aggregate exposure of Rs.500 crore and above shall require two such ICEs, others shall require one ICE. Only such RPs which receive a credit opinion of RP4 or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation. Further, ICEs shall be subject to the following: i) The CRAs shall be directly engaged by the lenders and the payment of fee for such assignments shall be made by the lenders. ii) If lenders obtain ICE from more than the required number of CRAs, all such ICE opinions shall be RP4 or better for the RP to be considered for implementation. The residual debt of the borrower entity, in this context, means the aggregate debt (fund based as well as non-fund based) envisaged to be held by all the lenders as per the proposed RP. The list of RP symbols that can be provided by CRAs as ICE and their meanings are:

ICE Symbols	Definiton
RP1	Debt facilities/instruments with this symbol are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry lowest credit risk.
RP2	Debt facilities/instruments with this symbol are considered to have high degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry very low credit risk.
RP3	Debt facilities/instruments with this symbol are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry low credit risk
RP4	Debt facilities/instruments with this symbol are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry moderate credit risk
RP5	Debt facilities/instruments with this symbol are considered to have moderate risk of default regarding timely servicing of financial obligations.
RP6	Debt facilities/instruments with this symbol are considered to have high risk of default regarding timely servicing of financial obligations.
RP7	Debt facilities/instruments with this symbol are considered to have very high risk of default regarding timely servicing of financial obligations.

7. A RP in respect of borrowers to whom Bank and the other lenders continue to have credit exposure, shall be deemed to be 'implemented' only if the following conditions are met:
8. A RP which does not involve restructuring/change in ownership shall be deemed to be implemented only if the borrower is not in default with any of the lenders as on 180th day from the end of the Review Period. Any subsequent default after the 180 day period shall be treated as a fresh default, triggering a fresh review.
9. A RP which involves restructuring/change in ownership shall be deemed to be implemented only if all of the following conditions are met:
 - All related documentation, including execution of necessary agreements between lenders and borrower/ creation of security charge / perfection of securities, are completed by the lenders concerned in consonance with the RP being implemented;

- The new capital structure and/or changes in the terms of conditions of the existing loans get duly reflected in the books of our Bank and all the lenders and the borrower; and,
- Borrower is not in default with any of the lenders.

10. A RP which involves lenders exiting the exposure by assigning the exposures to third party or a RP involving recovery action shall be deemed to be implemented only if the exposure to the borrower is fully extinguished

D. Delayed Implementation of Resolution Plan

11. Where a viable RP in respect of a borrower is not implemented within the timelines given below, Bank shall make additional provisions as under:

Timeline for implementation of viable RP	Additional provisions to be made as a % of total outstanding, if RP not implemented within the timeline
180 days from the end of Review Period	20%
365 days from the commencement of Review Period	15% (i.e. total additional provisioning of 35%)

12. The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

- The provisions already held; or,
- The provisions required to be made as per the asset classification status of the borrower account

13. The additional provisions shall be made by all the lenders with exposure to such borrower.

14. The additional provisions shall also be required to be made in cases where the lenders have initiated recovery proceedings, unless the recovery proceedings are fully completed.

15. The above additional provisions may be reversed as under

- Where the RP involves only payment of overdue by the borrower –the additional provisions may be reversed only if the borrower is not in default for a period of 6 months from the date of clearing of the overdue with all the lenders;
- Where RP involves restructuring and or change in ownership outside IBC –the additional provisions may be reversed upon implementation of the RP;
- Where resolution is pursued under IBC –half of the additional provisions made may be reversed on filing of insolvency application and the remaining additional provisions may be reversed upon admission of the borrower into the insolvency resolution process under IBC; or,
- Where assignment of debt/recovery proceedings are initiated –the additional provisions may be reversed upon completion of the assignment of debt/recovery.

Prudential Norms

- Revised prudential norms applicable are conveyed in the circular.
- Any Additional finance approved under the RP may be treated as Standard asset during the

specified period provided the accounts performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as restructured asset.

- Restructuring in respect of projects under implementation involving deferment of date of commencement of commercial operations (DCCO) shall continue to be covered under IRAC master circular dt.01.07.2015.

Repeal of Existing Schemes

- All existing instructions on resolution of Stressed Assets like a) Framework for Revitalizing Distressed Assets b) Corporate Debt Restructuring (CDR) c) Flexible Structuring of Project Loans d) Strategic Debt Restructuring (SDR) e) Change in ownership outside SDR f) Scheme for Sustainable Structuring of Stressed Assets(S4A) stand withdrawn.
- Joint Lender Forum (JLF) stands discontinued.
- All accounts including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework