UTTAR BIHAR GRAMIN BANK

उत्तर बिहार ग्रामीण बैंक

LOAN POLICY

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LOAN POLICY

1. Preamble

a) In the wake of ongoing trend towards mergers and amalgamations of Regional Rural Banks with a view to make RRBs robust and viable institutions capable of delivering full bouquet of banking services to all the strata of society and the introduction of the concept of the new genre of niche banks like Payment Banks and Small Business Banks, the banking environment in the country is undergoing a major change. The Indian Banking scenario has witnessed progressive deregulation, introduction of prudential norms and adoption of international best practices. The financial sector reforms and entry of private and foreign banks have changed the face of Indian Banking sector. In the present scenario, when spreads are thinning and competition is acute, managing credit risk has become crucial for RRBs.

b) Extending credit is a basic function of banking which involves risks. It is likely that some of the credit decisions may result in loss. The Bank should aim at managing risk in such a way that a healthy credit portfolio is built and returns are maximized.

c) The policy at the holistic level is an embodiment of the Bank's approach to sanctioning, managing credit risk and aims at making the systems and control more effective.

2. Objective :

The basic objectives of the Loan Policy are: -

a) To broadly outline major parameters governing loaning functions;
b) To properly appraise and evaluate advances proposals;
c) To delegate appropriate authority to ensure speedy disposal of proposals and to ensure effective monitoring and follow up.
d) To channelize the flow of funds for productive use i.e. producing or tending to produce goods and services having exchange value.
e) Optimum utilization of Bank's resources.
f) The policy seeks to enlarge our client base through aggressive credit marketing.
g) The policy document addresses the genuine credit needs of the existing clients to ensure quicker and prompt credit decision.
h) The policy establishes a commonality of approach regarding credit basics, appraisal skills and strategies, while leaving enough room for flexibility and innovation.
i) The policy aims to seize market opportunities by revamping our products and delivery mechanism through product innovation and restructuring.
j) The policy strives to ensure that the socio economic obligations cast on the bank are fully met.
k) The policy seeks to ensure continuous growth of loan assets while endeavouring that they remain secure, performing and standard assets.
l) The policy endeavours to mitigate and reduce risk associated with the lending by fine tuning the systems and controls.
m) The policy sets out optimum exposure levels to different sectors in order to ensure growth of assets in an orderly manner.
n) The policy lays down norms for take-over of advances from other banks/FIs.
o) Bank's stand on granting credit facilities to companies whose Directors are in the defaulters list of RBI.
p) The policy seeks to ensure profitable deployment of resources keeping in view the ALM requirements.
q) The policy document ensures compliance of all the directives/guidelines issued by the Government/RBI/NABARD and all other regulatory requirements on credit matters. With regard to guidelines issued from time to time by the authorities, the Bank would follow them in all their aspects. However, if these permit varying interpretations, the Bank will adopt a reasonable interpretation, as determined by the Credit Risk Management Committee without deviating from the spirit behind the guidelines.

3. Scope

i) This policy would govern all credit and credit related exposures, Fund Based as well as Non-Fund based and prescribe acceptance criteria for all forms of credit dispensation. These would include Short term, Medium term and Long term based facilities, as also Letters of Credit, Guarantees, Acceptances, etc.

ii) The Loan Policy of the Bank deals with various important parameters in order to ensure safety, profitability and liquidity of Bank's assets and deals on various matters as follows:

a) **Credit Deployment**
   - i) Directed Credit
   - ii) Thrust Areas
   - iii) Other Areas

b) **Categorization of Borrowers**
   - i) Priority Sector
   - ii) Non Priority Sector

c) **Credit Sanctions**
   - i) Prudential Exposure Limits
   - ii) Credit Rating
   - iii) Price Mechanism
   - iv) Procedures.

d) **Security**
   - i) Approved Securities
   - ii) Negative List of Securities
   - iii) Obtaining Guarantees as security

e) **Delegation of Authority**
   - i) General Rules
   - ii) Lending Authority
   - iii) Lending Powers
   - iv) Discretionary Powers
   - v) Ad-hoc facilities
   - vi) Prohibitions

f) **Miscellaneous**
   - i) **Sanctioning Authority**
     - i. Individual Officials
     - ii. Board of Directors
   - ii) **Monitoring and Control**
     - i. Review of Procedures
     - ii. Control Returns
     - iii. Monitoring
     - iv. Quality Control

4. Compliance

All the field functionaries are to comply with the policy guidelines laid down in this document. In case of any doubt about the applicability of any aspect of these policies to any situation, clarification/approval shall first be sought from Credit & Monitoring Department, Head Office prior to committing the bank.

5. Credit Deployment

<u>Strategy</u>

The following strategies shall be adopted:

i) Wherever the lending is done, it shall be directed with the emphasis on viability, and profitability prospects.

ii) Keeping in view the guidelines of RBI/NABARD and the profitability of the Bank, the branches shall be advised from time to time about the thrust areas and non-thrust areas of lending.

iii) The Chairman has powers to permit any deviation in the sanction of a credit proposal, subject to compliance of RBI/ NABARD/Govt./ Other Statutory directives.

6. Directed Credit

i) The Bank's role in the priority sector lending shall be in tune with the national objectives. Bank will continue to lend funds to Priority Sector viz. Agriculture, Micro and Small Enterprises, Housing Finance, Education loans, Microcredit and other sectors keeping in view the RBI/NABARD guidelines from time to time**.** The Bank will endeavour to surpass the overall share of 60% of Adjusted Net Credit under Priority Sector advances with sub-sector targets.

ii) The guidelines issued by RBI vide their Master Circular No.RPCD.CO.RRB.BC.No.5/03.05.33/ 2014-15, RBI 2014-15/82 dated 01/07/2014 and any amendments thereto shall be adhered to.

RRBs were originally allowed to lend only to the Target Group comprising small and marginal farmers, landless labourers, rural artisans and other weaker sections of society. Subsequently, they were allowed to lend up to 60 per cent of their incremental lending during a year to Non-Target Group borrowers. With a view to providing more credit to the segments under priority sector, it was decided that RRBs should achieve a target of 60 per cent of their outstanding advances for priority sector lending as against 40 percent set for other commercial banks. Further, of the total priority sector advances, at least 25 percent (i.e. 15 percent of the total advances) were required to be advanced to weaker sections of the society.

Internal Working Group on Priority Sector Lending

On the basis of the recommendations made in September 2005 by the Internal Working Group (Chairman: Shri C. S. Murthy), set up in Reserve Bank to examine, review and recommend changes in the existing policy on priority sector lending including the segments constituting the priority sector, targets and sub-targets, etc. it was decided to include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture and tiny and small enterprises. Accordingly, the broad categories of priority sector for RRBs are:

(i) Agriculture (Direct and Indirect finance): Direct finance to agriculture shall include short, medium and long term loans given for agriculture and allied activities (dairy, fishery, piggery, poultry, beekeeping, etc.) directly to individual farmers, Self-Help Groups (SHGs) or Joint Liability Groups (JLGs) of individual farmers without limit and to others (such as corporates, partnership firms and institutions) up to the limits indicated in Section I, for taking up agriculture/allied activities.

Indirect finance to agriculture shall include loans given for agriculture and allied activities as specified in Section I, appended.

(ii) Micro and Small Enterprises (Direct and Indirect Finance): Direct finance to micro and small enterprises shall include all loans given to micro and small (manufacturing) enterprises engaged in manufacture / production, processing or preservation of goods, and micro and small (service) enterprises engaged in providing or rendering of services, and whose investment in plant and machinery and equipment (original cost excluding land and building and such items as mentioned therein) respectively, does not exceed the amounts specified in Section I. The micro and small (service) enterprises shall include small road & water transport operators, small business, professional & self-employed persons, retail trade i.e. advances granted to retail traders dealing in essential commodities (fair price shops), consumer co-operative stores and advances granted to private retail traders with credit limits not exceeding Rs.20 lakh and all other service enterprises, as per the definition given in section I appended.

Indirect finance to small enterprises shall include finance to any person providing inputs to or marketing the output of artisans, village and cottage industries, handlooms and to cooperatives of producers in this sector.

(iii) Micro Credit: Provision of credit and other financial services and products of very small amounts not exceeding Rs. 50,000 per borrower, either directly or indirectly through a SHG/JLG mechanism will constitute micro credit.

(iv) Education loans: Educational loans include loans and advances granted to individuals for educational purposes up to Rs.10 lakh for studies in India and Rs.20 lakh for studies abroad, and do not include those granted to institutions. Loans granted to educational institutions will be eligible to be classified as priority sector advances under micro and small (service) enterprises, provided they satisfy the provisions of MSMED Act, 2006.

(v) Housing loans: Loans up to Rs. 25 lakh to individuals for purchase/ construction of dwelling unit per family, (excluding loans granted by banks to their own employees) and loans given for repairs to the damaged dwelling units of families up to Rs. 1 lakh in rural and semi-urban areas and up to Rs. 2 lakh in urban and metropolitan areas.

Other Important Guidelines:

(i) Investments by banks in securitised assets, representing loans to various categories of priority sector, shall be eligible for classification under respective categories of priority sector (direct or indirect) depending on the underlying assets, provided the securitised assets are originated by banks and financial institutions and fulfil the Reserve Bank of India guidelines on securitisation. This would mean that the banks' investments in the above categories of securitised assets shall be eligible for classification under the respective categories of priority sector only if the securitised advances were eligible to be classified as priority sector advances before their securitisation.

(ii) Outright purchases of any loan asset eligible to be categorised under priority sector, shall be eligible for classification under the respective categories of priority sector (direct or indirect), provided the loans purchased are eligible to be categorized under priority sector; the loan assets are purchased (after due diligence and at fair value) from banks and financial institutions, without any recourse to the seller; and the eligible loan assets are not disposed of, other than by way of repayment, within a period of six months from the date of purchase.

(iii) RRBs can sell their loan assets held by them under priority sector categories in excess of the prescribed priority sector lending target of 60 per cent.

(iv) RRBs can issue Inter-Bank Participation Certificates (IBPC) of a tenor of 180 days on risk sharing basis to scheduled commercial banks against their priority sector advances in excess of 60% of their outstanding advances.

The detailed RBI guidelines for RRBs in this regard are given herebelow:

SECTION I

A. AGRICULTURE DIRECT FINANCE

1. Finance to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data on such finance] for Agriculture and Allied Activities (dairy, fishery, piggery, poultry, bee-keeping, etc.)

2. Short-term loans for raising crops, i.e. for crop loans. This will include traditional/non-traditional plantations and horticulture.

3. Advances up to Rs. 10 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, irrespective of whether the farmers were given crop loans for raising the produce or not.

4. Working capital and term loans including credit sanctioned under Kisan Credit Card for financing production and investment requirements for agriculture and allied activities.

5. Loans to small and marginal farmers for purchase of land for agricultural purposes.

6. Loans to distressed farmers indebted to non-institutional lenders, against appropriate collateral or group security.

7. Loans granted for pre harvest and post harvest activities such as spraying, weeding, harvesting, grading, sorting, processing and transporting undertaken by individuals, SHGs and cooperatives in rural areas.

8. Loans granted for agricultural and allied activities, irrespective of whether the borrowing entity is engaged in export or otherwise. The export credit granted by RRBs for agricultural and allied activities may, however, be reported separately under heading "Export credit to agricultural sector".

9. Finance to others [such as corporates, partnership firms and institutions] for Agriculture and Allied Activities (dairy, fishery, piggery, poultry, bee-keeping, etc.)

10. Loans granted for pre harvest and post harvest activities such as spraying, weeding, harvesting, grading, sorting and transporting.

11. Finance up to an aggregate amount of Rs. one crore per borrower for the purposes listed at 2, 3, 4 and 10 above.

12. One-third of loans in excess of Rs. one crore in aggregate per borrower for agriculture and allied activities.

INDIRECT FINANCE

13. Finance for Agriculture and Allied Activities

14. Two-third of loans to entities covered under 09 above in excess of Rs. one crore in aggregate per borrower for agriculture and allied activities.

15. Loans to food and agro-based processing units with investments in plant and machinery up to Rs.10 crore, undertaken by those other than 07 above. Credit under the dairy segment which may primarily benefit small/marginal farmers and tiny units and may contribute to the development of dairy business.

16. (i) Credit for purchase and distribution of fertilisers, pesticides, seeds, etc.,(ii) Loans up to Rs. 40 lakh granted for purchase and distribution of inputs for the allied activities such as cattle feed, poultry feed, etc.

17. Finance for setting up of Agriclinics and Agribusiness Centres.

18. Finance for hire-purchase schemes for distribution of agricultural machinery and implements.

19. Loans to farmers through Primary Agricultural Credit Societies (PACS), Farmers’ Service Societies (FSS) and Large-sized Adivasi Multi Purpose Societies (LAMPS).

20. Loans to cooperative societies of farmers for disposing of the produce of members.

21. Financing the farmers indirectly through the co-operative system (otherwise than by subscription to bonds and debenture issues).

22. Loans for construction and running of storage facilities (warehouse, market yards, godowns, and silos), including cold storage units designed to store agriculture produce/products, irrespective of their location. If the storage unit is registered as micro or small enterprise, the loans granted to such units may be classified under advances to Micro and Small Enterprises sector.

23. Advances to Custom Service Units managed by individuals, institutions or organisations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake work for farmers on contract basis.

24. Finance extended to dealers in drip irrigation/sprinkler irrigation system/ agricultural machinery, irrespective of their location, subject to the following conditions:

(a) The dealer should be dealing exclusively in such items or if dealing in other products, should be maintaining separate and distinct records in respect of such items.

(b) A ceiling of up to Rs. 30 lakh per dealer should be observed.

25. Loans to *Arthias* (commission agents in rural/semi-urban areas functioning in markets/*mandies*) for extending credit to farmers, for supply of inputs as also for buying the output from the individual farmers/ SHGs/ JLGs.

26. Credit outstanding under loans for general purposes under General Credit Cards (GCC).

27. Loans granted to NGOs/MFIs for on-lending to individual farmers or their SHGs/JLGs.

28. Overdrafts, up to Rs.25,000 (per account), granted against 'no-frills' accounts in rural and semi-urban areas.

29. Loans not eligible for Classification as Direct / Indirect finance to Agriculture

30. Loans sanctioned to NBFCs for on-lending to individuals or other entities against gold jewellery, investments made by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, and purchase / assignment of gold loan portfolio from NBFCs.

B. MICRO and SMALL ENTERPRISES

Direct Finance

1. Manufacturing Enterprises

(a) Micro (manufacturing) Enterprises

Enterprises engaged in the manufacture / production, processing or preservation of goods and whose investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification no. S.O.1722(E) dated October 5, 2006] does not exceed Rs.25 lakh, irrespective of the location of the unit.

(b) Small (manufacturing) Enterprises

Enterprises engaged in the manufacture / production, processing or preservation of goods and whose investment in plant and machinery [original cost excluding land and building and such items as in 1 (a)] is more than Rs.25 lakh but does not exceed Rs.5 crore, irrespective of the location of the unit.

2. Service Enterprises

(a) Micro (service) Enterprises

Enterprises engaged in providing / rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 does not exceed Rs.10 lakh, irrespective of the location of the unit.

(b) Small (service) Enterprises

Enterprises engaged in providing / rendering of services and whose investment in equipment [original cost excluding land and building and furniture, fittings and such items as in 2 (a)] is more than Rs.10 lakh but does not exceed Rs.2 crore, irrespective of the location of the unit.

(c) The small and micro (service) enterprises shall include small road & water transport operators, small business, professional & self-employed persons, and other service enterprises engaged in activities, viz, consultancy services including management services, composite broker services in risk and insurance management, Third Party Administration (TPA) services for medical insurance claims of policy holders, seed grading services, training-cum-incubator centre, educational institutions, training institutes, retail trade, practice of law i.e. legal services, trading in medical instruments (brand new), placement and management consultancy services, advertising agency and training centres, etc. and which satisfy the definition of micro and small (service) enterprises in respect of investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the services rendered or as may be notified under the MSMED Act, 2006) (i.e. not exceeding Rs.10 lakh and Rs.2 crore respectively).

(d) Loans granted by RRBs to micro and small enterprises (MSE) (manufacturing and services) are eligible for classification under priority sector, provided such enterprises satisfy the definition of MSE sector as contained in MSMED Act, 2006, irrespective of whether the borrowing entity is engaged in export or otherwise. The export credit granted by banks to MSEs may, however, be reported separately under heading "Export credit to micro and small enterprises sector".

3. Khadi and Village Industries Sector (KVI)

All advances granted to units in the KVI sector, irrespective of their size of operations, location and amount of original investment in plant and machinery.

INDIRECT FINANCE

4. Indirect finance to the micro and small (manufacturing as well as service) enterprises sector will include credit to:

5. Persons involved in assisting the decentralised sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

6. Advances to cooperatives of producers in the decentralised sector viz. artisans village and cottage industries.

C. MICRO CREDIT

1. Loans of very small amount not exceeding Rs. 50,000 per borrower provided by banks either directly or indirectly through a SHG/JLG mechanism.

2. Loans to distressed persons (other than farmers) to prepay their debt to noninstitutional lenders, against appropriate collateral or group security, would be eligible for classification under priority sector.

D. EDUCATION LOANS

1. Loans granted to individuals for educational purposes up to Rs.10 lakh for studies in India and Rs.20 lakh for studies abroad. Loans granted to educational institutions will be eligible to be classified as priority sector advances under micro and small (service) enterprises, provided they satisfy the provisions of

MSMED Act 2006.

E. HOUSING LOANS

1. Loans up to Rs.25 lakh, irrespective of location, to individuals for purchase / construction of a dwelling unit per family, excluding loans granted by banks to their own employees.

2. Loans given for repairs to the damaged dwelling units of families up to Rs.1 lakh in rural and semi-urban areas and up to Rs.2 lakh in urban and metropolitan areas.

3. Assistance given to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of Rs.5 lakh of loan amount per dwelling unit.

4. Assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for construction / reconstruction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan component of Rs.10 lakh per dwelling unit .

F. STATE SPONSORED ORGANIZATIONS FOR SCHEDULED CASTES/ SCHEDULED TRIBES

Advances sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries of these organisations.

G. WEAKER SECTIONS

The weaker sections under priority sector shall include the following:

(a) Small and marginal farmers with land holding of 5 acres and less, and landless labourers, tenant farmers and share croppers;

(b) Artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000;

(c) Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY) now National Rural Livelihood Mission.

(d) Scheduled Castes and Scheduled Tribes;

(e) Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY);

(f) Beneficiaries under the Scheme for Rehabilitation of Manual Scavengers (SRMS);

(g) Advances to Self Help Groups;

(h) Loans to distressed poor to prepay their debt to informal sector, against appropriate collateral or group security.

(i) Loans granted under (a) to (h) above to persons from minority communities as may be notified by Government of India from time to time. In States, where one of the minority communities notified is, in fact, in majority, item (i) will cover only the other notified minorities. These States/Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

SECTION II Common Guidelines for Priority Sector Advances

1. RRBs should follow the following common guidelines prescribed by the Reserve Bank for all categories of advances under the priority sector.

2. Processing of Applications

- Completion of Application Forms

In case of Government sponsored schemes such as NRLM, the concerned project authorities like DRDAs, DICs, etc. should arrange for completion of application forms received from borrowers. In other areas, the bank staff should help the borrowers for this purpose.

- Issue of Acknowledgement of Loan Applications

RRBs should give acknowledgement for loan applications received from weaker sections. Towards this purpose, it may be ensured that all loan application forms have perforated portion for acknowledgement to be completed and issued by the receiving branch. Each branch may affix on the main application form as well as the corresponding portion for acknowledgement, a running serial number. While using the existing stock of application forms which do not have a perforated portion for acknowledgement separately given, care should be taken to ensure that the serial number given on the acknowledgement is also recorded on the main application. The loan applications should have a check list of documents required for guidance of the prospective borrowers.

- Disposal of Applications

(i) All loan applications up to a credit limit of Rs.25, 000 should be disposed of within a fortnight and those for over Rs.25,000, within 8 to 9 weeks.

(ii) All loan applications for Micro and Small Enterprises up to a credit limit of Rs.25,000 should be disposed of within 2 weeks and those up to Rs.5 lakh within 4 weeks, provided the loan applications are complete in all respects and are accompanied by a 'check list'.

-Rejection of Proposals

Branch Managers may reject applications (except in respect of SC/ST) provided the cases of rejection are verified subsequently by the Regional Managers. In the case of proposals from SC/ST, rejection should be at a level higher than that of Branch Manager.

- Register of Rejected Applications

A register should be maintained at the branch, wherein the date of receipt, sanction/ rejection/ disbursement with reasons therefore, etc., should be recorded. The register should be made available to all inspecting agencies.

3. Mode of Disbursement of Loan

With a view to providing farmers wider choice as also eliminating undesirable practices, banks may disburse all loans for agricultural purposes in cash which will facilitate dealer choice to borrowers and foster an environment of trust. However, banks may continue the practice of obtaining receipts from borrowers.

4. Repayment Schedule

- Repayment programme should be fixed taking into account the sustenance requirements, surplus generating capacity, the break-even point, the life of the asset, etc., and not in an "ad hoc" manner. In respect of composite loans, repayment schedule may be fixed for term loan component only.

4- As the repaying capacity of the people affected by natural calamities gets severely impaired due to the damage to the economic pursuits and loss of economic assets, the benefits such as restructuring of existing loans, etc. as per NABARD's instructions may be extended to the affected borrowers.

5. The rates of interest on various categories of priority sector advances will be as per RBI directives issued from time to time.

(i) (a) In respect of direct agricultural advances, banks should not compound the interest in the case of current dues, i.e. crop loans and instalments not fallen due in respect of term loans, as the agriculturists do not have any regular source of income other than sale proceeds of their crops.

(b) When crop loans or instalments under term loans become overdue, banks can add interest to the principal.

(c) Where the default is due to genuine reasons banks should extend the period of loan or reschedule the instalments under term loan. Once such a relief has been extended, the overdues become current dues and banks should not compound interest.

(d) Banks should charge interest on agricultural advances in respect of long duration crops, at annual rests instead of quarterly or longer rests, and could compound the interest, if the loan / instalment become overdue.

6. Penal Interest

- The issue of charging penal interests that should be levied for reasons such as default in repayment, non-submission of financial statements, etc. has been left to the Board of each bank. Banks have been advised to formulate policy for charging such penal interest with the approval of their Boards, to be governed by well accepted principles of transparency, fairness, incentive to service the debt and due regard to difficulties of customers.

- No penal interest should be charged by banks for loans under priority sector upto Rs.25,000 as hitherto. However, banks will be free to levy penal interest for loans exceeding Rs.25,000 in terms of the above guidelines.

7. Service Charges / Inspection Charges

- No service charges / inspection charges should be levied on priority sector loans up to Rs.25,000.

- For loans above Rs.25,000/-banks will be free to prescribe service charges with the prior approval of their Boards, in terms of circular No. DBOD.Dir.BC.86/03.01.00/99-2000 dated September 7, 1999.

8.(i) RRBs may waive insurance of assets financed by bank credit in the following cases:

No.	Category	Type of Risk	Type of Assets

(a)	All categories of priority sector advances up to and inclusive of Rs.10,000	Fire & other risks	Equipment and current assets
(b)	Advances to Micro and Small Enterprises up to and inclusive of Rs.25,000 by way of -		
*	Composite loans to artisans, village and cottage industries	Fire	Equipment and current assets
*	All term loans	Fire	Equipment
*	Working capital where these are against non-hazardous goods	Fire	Equipment

(ii) Where, however, insurance of vehicle or machinery or other equipment / assets is compulsory under the provisions of any law or where such a requirement is stipulated in the refinance scheme of any refinancing agency or as part of a Government-sponsored programmes such as NRLM**,** insurance should not be waived even if the relative credit facility does not exceed Rs.10,000/- or Rs.25,000/- as the case may be.

9. Photographs of Borrowers

While there is no objection to take photographs of the borrowers for purpose of identification, banks themselves should make arrangements for the photographs and also bear the cost of photographs of borrowers falling in the category of Weaker Sections. It should also be ensured that the procedure does not involve any delay in loan disbursement.

10. Discretionary Powers

All Branch Managers of RRBs should be vested with discretionary power to sanction proposals from weaker sections without reference to any higher authority. If there are difficulties in extending such discretionary powers to all the Branch Managers, such power should exist at least at the district level and arrangements be ensured that credit proposals on weaker sections are cleared promptly.

11. Machinery to look into Complaints

- There should be machinery at the Regional Offices to entertain complaints from the borrowers if the branches do not follow these guidelines, and to verify periodically that these guidelines are scrupulously implemented by the branches.
- The names and addresses of the officers with whom complaints can be lodged should be displayed on the notice board of every branch.

12. Thrust Areas

a. **Thrust areas explained**.

- The deployment of credit shall be made by the Bank selectively with the twin objectives to increase profitability and avoid / restrict or reduce exposure to unnecessary risks. Concentration should be shifted to the upcoming and prospering sectors and would have to be in tune with the changing economic needs / scenario and high-tech scenario emerging in the country.
- To build sizeable market-share in each of the thrust areas of business through effective strategies in terms of pricing, product packaging and promoting the product in the market, we will endeavour to be market movers in these initiatives.
- To sustain the mission objective through harnessing technology driven banking and delivery channels.
- To promote confidence and commitment among the staff members to address the expectations of the customers efficiently and to handle technology banking with ease.
- Bank will also adopt the following strategy to increase its market share in thrust areas.
- Branches to maintain continuous contact with the top borrowers of their branch to know their business activity/expansion plans. A diary containing profile of such borrowers should be maintained at every branch which will include information not only about their business but also give information about the facilities availed by them from our bank or from other banks. Information regarding facilities/services availed from other banks should be used for bringing them into our fold.
- Branches to obtain references from top borrowers and use them for increasing customer base at every branch. References may be obtained from other customers also.
- The profile of the borrowers as mentioned above may also be used for cross selling our products to

them.
-To obtain references from Industrial/Merchants/Traders association and establish contact with them.
- Acquisition of new customers/accounts will be an ongoing activity for business development. To this end, a list of top borrowers (who are not our customers) in the centre may be prepared and contacted for bringing them into our fold after making due diligence /enquiries.
- Technology should be leveraged for acquisition of new business by providing Internet Banking, Structured Financial Messaging Solution (SFMS), Real Time Gross Settlement (RTGS), Special Electronic Fund Transfer (SEFT), National Electronic Fund Transfer (NEFT), Electronic Fund Transfer (EFT) facilities.

(b)The thrust areas for deployment of credit during the year 2015-16 would be:-
- Priority Sector, with emphasis on High Tech Agriculture and Micro & Small Enterprises under SME
- Retail Banking – Housing, Education, Personal loan, Mortgage loan, and loan for consumer durables and personal vehicles.

(c) Credit flow to Women Entrepreneurs

The process of accelerating credit to women for upliftment and economic development shall be continued.

(d) Retail Lending

(i) Any Retail Lending Scheme is purely a loan to individuals for meeting personal needs and/or for any lawful activity. All such schemes stipulate the maximum exposure limits per borrower.

(ii) If there is any request for a higher loan amount exceeding the maximum exposure limit of per borrower as per such scheme, then such loan request goes out of purview of Retail Lending, if otherwise not provided in the Scheme and falls under general advance.

(iii) Such advances depending upon the purposes shall be sanctioned by the concerned sanctioning authority who is empowered to sanction such advances as per norms, as the case may be.

13. Watch List Areas

Considering the present economic scenario, certain industries are presently kept under watch list. The list of such industries is given hereunder.

i. N.B.F.Cs/ MFIs
ii. Commercial Real Estate (CRE & CRE-RH).
iii. Gems, Jewellery & Diamond
iv. Capital Market
v. Iron & Steel (Manufacturing)

14.Low Priority Areas

- The concentration of the bank finance is to be decided in the Context of domestic, international, industrial, economic and technological development/trends. Keeping these aspects in view, as well as the overall objectives of the Bank, it would be necessary to decide the list of low priority loans. This list is to be revised from time to time. For the present, the low priority loans are:

i. Plywood, Commercial and Decorative Veneers.
ii. Block Boards and Flush Doors.
iii. All Types of Rubber Based Beltings, PVC Conveyer Belts and Fans and V-Belts.

-In Principle Approval from Head Office for enhancement of limits in existing accounts or for considering New Accounts falling under these areas is required to be obtained before committing.

15. Restrictions on Lending (General Prohibitions)

- In conformity with the statutory restrictions imposed by RBI, the bank would ensure that the following stipulations with regard to lending activities are adhered to:-
- No loans/advances shall be granted against gold/silver bullions.
- No loans/advances shall be granted to companies for buy-back of their own securities.
- No loans/advances shall be granted against Certificate of Deposits.
- No loans/advances shall be granted against the security of partly paid shares.
- No loans/advances shall be granted:-

- To partnership firms/Sole proprietor concerns against the primary security of shares/debentures.For financing badla transactions.
- Against FDRs / term deposits of other banks.
- The bank shall not hold shares in any company whether as a pledgee / mortgagee or absolute owner, of an amount exceeding 30% of the paid up share capital of the company or 30% Banks' paid-up share capital and reserves whichever is less.
- The Bank shall not hold shares whether as pledgee/ mortgagee or absolute owner, in any company in the management of which any Director or Manager of the Bank is in any manner concerned or interested.
- No loans/advances shall be granted for setting up new units consuming /producing Ozone Depleting Substances (ODS).
- Restrictions imposed by RBI on granting of loans and advances and issue of guarantees on behalf of its Directors or other Bank's Directors including Scheduled Co-operative Banks or their relatives, any firm/company in which any of other Banks' Directors is interested as partner/director, manager, employee or guarantor shall be strictly adhered to.
- Letter of Credit and Purchase/Discount/Negotiation of bills under LCs shall be considered only in respect of genuine commercial trade transactions of the borrower constituents, who have been sanctioned regular credit facilities by the Bank.
- Lending for liquor trade shall be sanctioned only at Head Office.

16. Credit Administration

- Time norms for disposal of credit proposals and Credit refusal: The Bank shall comply with the guidelines relating to issue of acknowledgement for receipt of proposals and time norms for processing and disposals as contained in the RBI directives.
- All Loan Application Forms should contain information about the fees/charges, if any, payable for processing, the amount of such fees refundable in case of non- acceptance of application and pre-payment option, if any.
- Reasons for rejection of loan applications for all categories of borrowers, irrespective of any threshold limit is to be conveyed.
- The time frame for disposal of the proposals at each level is given below:
- As per RBI instructions all loan applications up to Rs.25,000/- should be disposed within two weeks of receipt of application complete in all respects.
- Similarly, application in respect of loans above Rs.25, 000/- and up to Rs.5 lakhs should be disposed of within a period of 4 weeks of receipt of application complete in all respects.
- All applications in respect of loans above Rs.5 lakhs should be disposed of as per the following time frame:
  1. Branch Office Level**:** Credit proposals received at branch shall be disposed of/ recommended to the higher authority by the Branch Manager within 15 days from the date of receipt of proposal complete in all respects.
  2. Regional Office Level: Credit proposals received at ROs shall be disposed of or recommended to next higher authority by the Regional Manager within 15 days from the receipt of proposal at Regional Office.

- Delay in processing and disposal of proposals must be avoided at all levels.

- In case of rejection of proposals relating to Educational Loans or proposals of SC/ST applicants it shall be done by the next Higher Authority than the normal delegatee.
- Sanction registers have to be maintained giving clear indications of the movement of proposal till final decision / disposal.
- All sanctions and rejections are to be reported every month to the next Higher Authority. All rejections should be reviewed by the next higher authority with full details.
- In case of rejection, applicants should be intimated reasons for rejection.

17. Credit Sanction Procedures

Following shall be the procedure for Processing, Sanctioning, disbursing of a credit proposal.

(i) Pre-Sanction:

- To obtain an application for credit facilities from the borrower on the prescribed format along with photograph of borrower/guarantor/promoter in terms of KYC norms.
- To obtain and satisfy about status report from the present bankers (for new accounts) preferably before sanction or at least before disbursement.
- To obtain statements of assets and liabilities, of the firm / company / directors, partners etc. and to verify the same with evidence namely Income Tax Returns, Wealth Tax Returns, and Sales Tax Returns.
- To conduct preliminary investigations as to the borrower's antecedents, standing, integrity, knowledge and experience in the field of activity.
- Scrutiny of the financial statement and other information, submitted by the borrower to ascertain the feasibility, technical, financial and economic viability of the proposal.
- To ascertain whether proposal is within the bank's lending policy.
- To ascertain whether the security offered is on the Bank's approved list and its marketability, transferability, storage etc.
- Pre-sanction inspection of the project preferably before sanction / recommendation to the sanctioning authority or at least before disbursement wherever required.
- To discuss with the party to obtain additional information.
- All proposals should contain Turnaround Time Tracker (i.e., Flow Chart).

(ii) Due Diligence

(a) Due Diligence needs to be carried out invariably. Further as a part of Due Diligence, there shall a thorough checking of names of the promoters/ guarantors etc. from the reports of CIBIL/RBI Defaulters' List/.

(b) Statement of Accounts with other Banks to be scrutinized for any irregularities like return of cheques, devolvement of LC, etc.

(c) Pre-Sanction inspection to be carried out.

(d) Estimates/ Projections submitted with the proposal to be scrutinized keeping in view the industry trend and only achievable level to be accepted to check over-financing.

(e) While Credit Appraising, Industry trends/ Media Alerts if any shall be kept in mind.

(f) The Credit Appraisal Note shall contain Name of Other Bankers/ Lenders of the Borrower/ Group Accounts and their Current Status with those Banks/ Lenders.

18. Process of Due Diligence

- Interview/discussion with the applicant :

The Bank shall carry out discussion with the applicant borrower and ascertain the past track record, activities presently undertaken, associate/group concerns, details about the proposed project such as infrastructure arrangements, forward and backward linkages, sources of margin arrangement for financial tie-up, procurement of raw material, selling and marketing arrangement etc. The inputs through the process of discussion should help the Bank in taking a decision whether or not to take up the case for evaluation.

- Industry Prospects: The Bank shall ascertain information like present state and future prospects of the particular industrial activity in which the constituent is engaged duly taking into account the market environment demand-supply position/ major competitors/market share/position of the constituent in the respective industry.

- Financial Statements: The Bank shall analyse the financial statements of the constituent/ income/wealth tax returns/assessment orders of the constituent/ guarantors. These statement/documents shall throw light on growth in sales, profitability, cash accruals, tangible net worth position, investment in associates, term liabilities, repayment commitment under term loans in relation to cash accruals etc. The auditor's notes to the account shall reveal the accounting practices followed by the business entity, details of contingent liabilities including guarantee obligation, claims relating to income tax/sales tax/excise duty/custom duty pending in the courts/tribunals. The information gathered as above shall enable the Bank to get an idea on the business ethics adopted by the constituent and to take a decision whether or not to have dealings with the constituent. Information on the associates may also be ascertained. In case of all credit facilities having exposure of more than Rs 1 crore, Balance sheet submitted by the companies registered under Companies Act, 1956 / 2013 shall be verified from the balance sheet filed with the Registrar of Companies to ensure that there are no variations.

- **Market Information**

- Opinion about the applicant/associate shall be collected by making market enquiries with people in similar line of business / buyers / suppliers / competitors / employees etc. Where the Bank has fully functional Credit Information Dept., market opinion reports should be called from the said department besides making independent market enquiries.

- Even in the case of existing information on the constituent through market information reports appearing in the local press/newspapers/business magazines/contacts with Government officials / Businessmen / Banker-colleagues / credit rating agencies, the Bank shall keep abreast with the market.

- The due diligence certificate which should include the reference from whom discreet enquiries about the company/promoters were made will form part of the appraisal note.

- **Confidential Opinion from existing Banker**

Efforts are to be made to obtain Confidential Opinion from the existing banker in all new connections. Efforts shall also be made to gather full information on the credit facilities sanctioned, conduct of account, submission of data/ information etc. The Bank may also examine the account statements of the previous banker to confirm satisfactory past dealings and operations.

- **Pre-sanction visit to the applicant's place**

Pre-sanction visit to the applicant's place shall be undertaken to confirm the existence of the unit as well as the assets offered as prime/collateral security and their acceptability. The visit shall also be used to understand the trade practices / manufacturing process of the unit / interact with the employees / other relevant persons to collect purposeful information.

- It will be the primary responsibility of the recommending authority / authorities to verify the antecedents / credit information of the borrower, acceptability of security and proper analysis of the financial indicators and correctness of information given in the proposal based on which sanctioning authority will take final decision after ensuring / examining policy compliance and conformity with overall Corporate Policy.

- **Appraisal (Appraisal Standards)**

- All credit proposals received from the parties shall be properly appraised at the branch level and also at respective delegatees' level taking into consideration the credit worthiness of the borrowers, their business experience and activities, the financial ratios of the borrowers, the purpose and need for the credit and giving justification for the credit.
- While considering fresh/ new credit proposals the following Financials shall be kept in view:

    a. Current Ratio 1.33
    b. TOL/TNW 4:1
    c. Debt-Equity TL 3:1
    d. DSCR (Avg.) 1.5
    e. Intt.cov.Ratio 2:1
    f. ACR 1.5:1
    g. FACR 1.5:1
    i. IRR – Should be above 15%

    For Trading accounts:

    a. Current Ratio 1.20
    b. TOL/TNW 6:1

<u>NFB Facilities:</u>

O In case of Working Capital Funding covering LCs. (both ILC & FLC), BGs., Performance Bank Guarantees including sub-cap for fund based limits, the bench mark range of TOL/ANW (Adjusted Net worth) is stipulated at 3:1 to 4:1 for manufacturing units and for Trade/ Service accounts at 5:1 to 6:1.

O Bank shall monitor closely and factor the Buyers Credit being availed by the borrowers while assessing the limits.

Other precautions at the time of Appraisal/ Sanctions that are to be complied with for issuing Bank Guarantee.

- In case of accounts where MPBF is ascertained on the basis of Turnover Method or Ist Method of lending, Current Ratio up to 1.17 and in case of seasonal industries like sugar, Tea, Coffee etc.

Current Ratio up to 1.00 may be accepted.

- Minimum D:E Ratio for a company should be 3:1.
- In case of Consortium or Syndication financing, we may accept DE Ratio as accepted by all other lenders.

TNW: Bank Credit should be reckoned with all borrowings from the banking system and not only our Bank's loan/Financial Assistance.

Normally Net Worth to Bank Borrowings ratio shall be 1:4. However, in case of borrowers having satisfactory track record and other financials, authority to consider proposals with deviation will be the Chairman.

For arriving at asset coverage ratio, value of all tangible assets i.e. Primary & Collaterals charged to the Bank shall be taken into account.

The ratios mentioned above shall normally be observed. However, in case of Syndication, Consortium or Multiple Banking arrangement, ratios accepted by the consortium or by major banks under syndication / multiple banking shall be accepted by the bank and such cases shall not be construed as deviation from the Loan Policy.

D.S.C.R: Though ideal ratio would be 1.5, a proposal with average DSCR of 1.40 may be accepted if other financials of the project are found to be satisfactory and it stands the test of sensitivity analysis with minimum average DSCR of 1.20**.**

However, proposals with DSCR below 1.50 shall be sanctioned only by the Chairman.

Asset Coverage Ratio:

Normally ACR should be 1.50. However, in exceptional cases, ACR below the benchmark level may be acceptable and Authority to consider proposals is the Chairman.

Credit Proposal seeking approval of deviations:

In respect of any request for approval of deviations, deviations will be approved at the level of Chairman only.

For seeking any approval for deviation, full fledged proposal shall be submitted to Head Office.

- In the case of New Accounts where no past financials are available, the spirit of the above ratios should be kept in mind and it should be ensured that the Debt-Equity and Asset coverage ratios are complied with. The other ratios projected are also strictly as per the ratios given herein above.

- **Credit Information Bureau (India) Ltd. - (CIBIL)**

- Credit Information Bureau (I) Ltd. has been set up in January 2001 and is established with the primary purpose of information sharing between Banks and Financial Institutions for curbing the un-desired growth of NPA.
- Banks are required to provide periodical information on suit filed accounts of Rs.1 crore and above, list of suit filed and wilful defaulters of Rs. 25 lacs and above.
- Banks/FIS/SFCs are also to submit information of non-suit filed accounts also to CIBIL in the prescribed format, so as to make CIBIL fully operational.
- The Bank shall obtain reports from Credit Information Bureau (India) Ltd. on the credit facilities enjoyed by the constituents as well as the status of the accounts.
- While considering review/revalidation of credit facilities, credit status report on the borrower may be examined wherever feasible.

-RBI Defaulters List: Reference to defaulters list/wilful defaulters list/Caution list to be made part of the Process Note wherever feasible.

19. Credit Rating

The Bank has implemented Credit Rating Tools through its Credit Risk Policy.

20. Exposure Norms

- **Prudential Exposure Limits**.

One of the tenets of Prudential Risk Management is to diversify the exposure both in respect of borrowers and industry business sectors.

-In line with RBI directive the exposure norm for single and group borrowers is as under.

Category of Borrower	Ceiling as % to Bank's Capital Funds	
	Other than	For Infrastructure Projects
Single Party	15%	20%
Group	40%	50%

- **Credit Exposure**

-The idea of determining the exposure limits is to ensure that the bank does not get over exposed to a particular borrower / group of borrowers or in a particular activity or industry.

- Exposure limits in relation to various Activities and industries

Besides fixing total exposure limits for different categories of Borrowers, it is necessary that the total exposure limits be prescribed activity-wise and industry- wise also. There shall be a maximum indicative exposure limits for financing a particular activity and / or industry by the Bank.

21. Group Approach

- The concept of Group and the task of identification of borrowers belonging to specific industrial groups have been left to the perception of Banks by Reserve Bank of India and the guiding principle is "Commonality of Management and Effective Control".
- Two or more enterprises is said to belong to the same group, if at any time during the reporting period or during the period under review, the financial or operating decisions of the said enterprises are "Controlled" or "Significantly Influenced" by the same enterprises / persons.
- Two or more Enterprises are deemed to be Controlled by the same Enterprise/Person when:

a. Controlling/substantial Interest, i.e. holding of shares, conferring voting rights of 20% and above, is by the same enterprise or by the same individual himself or jointly with his/her close relatives

b. More than 50% of the directors/partners (excluding the ones nominated by Government of India/Reserve Bank of India/ Financial Institutions/Banks/ Debenture Trustees) in one enterprise are the same and/or closely related to each other to those in another enterprise(s); and/or

c. Two or more enterprises have a contractual arrangement to share the power to govern the financial and/or operating policies of the said enterprises; and/or

d. One company is subsidiary company (as defined under Companies Act) of another company either by itself or through one or more subsidiaries.

e. If holding company of two or more company is the same company.

- Two or more Enterprises are said to be under "Significant Influence" by the same Enterprise/Person when:

a. "Substantial Interest" i.e. holding of shares, conferring voting rights of 20% or more, is by the same enterprise or by the same individual himself or jointly with his/her close relatives

b. Two or more enterprises employ the same key management personnel/s or their close relatives having authority and responsibility for planning, directing and controlling the operational and financial activities of the said enterprises; and/or

c. Two or more enterprises have entered into a Joint Venture to undertake a common economic subject with joint control/planning

- Industrial units in Public Sector are to be kept out of the purview of Group Approach.
- Professional Directors on the Board may be excluded for the purpose of arriving at the concept of a group.
- Advances under retail Lending schemes to Directors of our Corporate clients and Proprietor / Partners of borrowing firms may be kept out of the purview of Group Approach, provided that the loan is granted in individual names and the assets created out of the said loan (wherever applicable) is registered in the name of such individuals or advance under Retail Lending Schemes is allowed against distinct security.
- Group Concept will include:
    - i. Two or more associations of individuals, firms, trusts, Limited Companies where one or more individual/ partner, trustee or Director of one guarantees the facilities in the other one(s);
    - ii. All business concerns having same promoters, directors, partners, proprietor;
    - iii. Sole Proprietary firm, Partnership firms, Limited Companies or any combination thereof, their Proprietor, one or more Partners or Directors thereof being liable for the limits of other firms.

iv. Common Guarantors in two accounts shall also be taken under Group Concept as strained status of one account has its' impact on the decision in other account.

22. Methods for Assessment of Working Capital Requirements(Anexure-II)

Turnover Method: This method should be used for assessing fund based working capital requirements enjoyed from the banking system upto Rs.5.00 crore.

Traditional Method: Fund based working capital requirements under this method should be assessed under Method II of Tandon Committee for borrowers enjoying fund based working capital limits of above Rs.5.00 crore but less than Rs.50.00 crore.

Cash Budget Method

This method would be applicable to borrowers who are

i. Falling under Cyclical Industries like Tea, Sugar etc.

ii. Borrowers availing Fund Based Working Capital limits of Rs.50 crore and above from the banking system.

23. Term Loan Assessment

- A term Loan is an advance given for a fixed period with provision for repayment according to agreed term. In the case of Infrastructure Projects, the repayment period may be for more than 7 years. A term loan may be required to finance the following purposes:
  i) For Financing Specific Asset;
  ii) For Financing modernization programme;
  iii) For Financing expansion programme;
  iv) For Financing diversification programme;
  v) For Financing New Project;
  vi) For Financing Rehabilitation Project.
- Term loans can be classified as under:
  (i) Short term loan – where repayment period does not exceed 3 years
  (ii) Medium term loan – where repayment period is over 3 year and up to 5 years and
  (iii) Long term loan - where repayment period exceeds 5 years.

- Whatever be the purpose of term loan, it is to be always ensured that the activity/asset financed must be capable of generating adequate cash profit so that it is sufficient to repay the term loan installments. In case of business necessity, if required to provide 'Security Deposit" in lieu of Bank Guarantee, the request for Term Loan for funding the same may also be considered for sanction.
- While assessing a term loan proposal the following may be taken into account:

  a. Technical Feasibility, b.Commercial Viability, c. Managerial Competence, d.Economic Feasibility, e.Financial Feasibility, f. Cost of Project and Means of Finance, g.Break-even Analysis, h.Debt-service Coverage Ratio, i. Pay-back period on discounted cash flow consideration, j. Internal Rate of Return.

  The appraisal of a term loan proposal needs consideration of all or some of the above parameters.

24. Post Sanction operstions: (By operating Branch / Office)

- Sanction letter is to be sent through respective branch to the borrower conveying the terms and conditions of sanction and obtaining his acceptance thereof. Further, receipt of request from the borrower for disbursement of loan should not be kept pending if all the disbursement conditions are complied with. Such delay i.e. the delay between the request for disbursement and actual disbursement could be viewed from the vigilance angle. Therefore any observations relating to sanction/ disbursement of loan account should be conveyed to the borrower in writing and the authority should desist from making any oral commitments.
- **Documentation**: Execution of proper documents as per sanction and as prescribed and approved by bank from time to time, its certification and vetting as per existing system.
- Branches shall ensure Registration of Charge with the Registrar of Companies in case of Companies.
- It shall be ensured that the documents are kept in force from time to time and proper revival letters/AOD/Balance confirmation etc. is obtained periodically.
- Creation of equitable mortgage and obtaining the personal guarantee wherever the terms specify.

- Compliance of terms of sanction. Compliance Certificate for having complied with all the terms of sanction shall be submitted by disbursal authorities within 10 days from the date of release of credit limits, to the respective sanctioning authority.
- To obtain 'no dues' certificate, wherever necessary from the earlier bankers.
- Disbursement strictly as per terms of sanction and in prescribed manner.
- Recording the sanction in the Sanction Register for reporting to Controlling Offices.
- Recording the details of securities charged to the Bank in the Securities Register.
- Post disbursement inspection to ascertain end use of Bank credit.
- Recording in Confidential Limit Register.
- Maintenance of registers for incorporating information such as stock statement, QIS, QMS, MSOD, etc to be obtained from / provided by the borrower.
- Monitoring of advance to ensure end use, safety, and security of the loan by way of periodical inspections of unit and stock, scrutiny of operations in the account.
- **End Use of Funds:** The operating branch should ensure that there are no diversions of fund. It is the primary responsibility of branches to be vigilant and ensure proper end use of bank funds /monitor the cash/funds flow. It is, therefore, necessary for branches to ensure that drawals from cash credit / overdraft accounts are strictly for the purpose for which the credit limits are sanctioned. There should be no diversion of working capital finance for acquisition of fixed assets, investments in associate companies/subsidiaries and other investments. This has to be so, even if there is sufficient drawing power/undrawn limit for the purpose of effecting drawals from the cash credit account. In case of large borrowal accounts branches shall scrutinize fund flow / cash flow statements to ensure proper use of funds.The Branches / Controlling Offices should stipulate conditions in the sanctions for effective control and monitoring of the accounts.
- After disbursement of loan within 30 days, the disbursing authority has to submit a Certificate on End Use of funds disbursed (as per the format enclosed as Annexure) to the sanctioning authority**.**

25. Security

(i) Approved securities

To treat a particular commodity as security, the requisites shall be that the bank should be in a position to realize its dues by disposing of the security in case of failure on the part of the debtor to repay the debt. Such a security should have easy marketability, storability, stability in price, easy transferability of title, easy handling and valuation of security etc. The realization of the security should be without much lengthy legal formalities.

13.1 (a) Post Dated Cheques to be obtained from the borrower towards repayment of Principal & Interest and not to be taken as security. PDCs so obtained to be presented on dues dates, in case of default by the borrower, irrespective of any request by the borrower, others. In case of dishonor of the instrument on presentment, appropriate action under NI Act, to be initiated against the borrower immediately within the stipulated time period.

(ii) Recommended Margin:

Approved Securities	Minimum Margin
i) Fixed Deposits held in the name of the borrower	10
ii) Fixed deposits in the name of the third party	25
iii) Gilt edged securities viz., bonds / stocks issued by Central / State Government / Statutory / quasi-Government Corporation or Body repayment of	25
iv) National Saving Certificates with accrued value	20
v) Surrender value of LIC Policies	10
vi) Shares and debentures (on Bank's approved list):In Dematerialized form	50
vii) Stocks of tradable commodities / goods having realizable value (RM, SIP, FG)	25
viii) Book Debts. - For Book debts Up to 90days - For Book debts beyond 90 days and up to 180 days #	 25 35

ix) Plant and Machinery (New)	25
x) Plant and Machinery (Secondhand)	40 **
xi) Bills of Exchange with Documents / acceptances	Nil
xii) Gold Ornaments	40
xiii) Vehicles	25
xiv) Furniture / Fixtures	25
xv) Consumer durables	25
xvi) Live Stock	25
xvii) Land and Buildings / Free Hold Plots	40
Xviii) Land & building forming part of project	25
xix) Commodities falling under Selective Credit Control.	As directed by RBI

** 40% Margin of residual value of second hand machinery.

- Bank shall explore the possibility of obtaining collateral securities apart from primary security or in case where no primary security is available.
  - Collaterals at least to the extent of 75% of loan amount to be insisted in case where the nature of primary security is of perishable nature, slow moving products, high volatility in prices etc. In case where no primary security is available, minimum collaterals to the extent of 120% of loan amount to be insisted. Head Office shall have the powers to consider any deviation in this regard.
- **Negative List of Securities.**
- All those securities which will not be legally enforceable in case of default by the borrowers are classified as securities under Negative List. List of some such items are as under:
  i) Commodities possession of which is unlawful.
  ii) In case of certain controlled sensitive commodities like rubber, fertilizer etc, where the required license is not obtained and
  iii) Securities on which a valid charge cannot be created such as LIC Policies under Married Women's Property Act.

i. Fresh loans can be sanctioned to the agricultural borrowers who had earlier settled their dues under One Time Settlement / Compromise settlement scheme by the Branch Managers within their delegated lending powers. However, the Branch Managers who had earlier recommended or sanctioned the compromise proposal should seek administrative clearance from their Regional Office for consideration of fresh limits.

j. In the case of Group accounts where one of the accounts is a Non-Performing account, then the facilities for other Standard accounts in the Group can be reviewed / revised by the next higher authority not below Regional Manager.

- Norms for obtaining guarantees as security:

  Whenever a guarantee is to be obtained as collateral security in a borrowal account, it is necessary to take into account the total number of guarantees given by such proposed guarantors in other accounts. It is also advisable to correlate with the total guarantee commitments of the proposed guarantors with their net worth.

26. Delegation of Authority

General Rules

(a) The delegated authority will be exercised by the delegatee judiciously, with due care and in good faith, having regard to the duties entrusted to him or to the responsibility devolving on him. In exercising his authority, the delegatee will comply with the general or specific instructions or guidelines given or prescribed by the Central Office or other controlling authority from time to time.

(b) The delegatee will not exercise any authority in favour of himself or any member of his family or knowingly grant or authorize the grant of any advance facilities to or enter into or authorize entering into by or on behalf of the bank any contract, agreement or proposal in any matter or sanction any contract or loan to any undertaking or person if any member of his family is employed in that undertaking other than a public company or under that any person if he or any member of his family is employed in that undertaking or under that person or if he or any member of his family has interest in such matters or contract in any other manner.

A person is not deemed to have any interest in an undertaking for the purpose of this regulation if he is only a shareholder having not more than 2% of the paid-up capital of the undertaking in his name.

(c) In this context, family means:-

i) In the case of male officer employee his wife, whether residing with him or not, but does not include a legally separated wife and in the case of woman officer employee her husband, whether residing with her or not, but does not include a legally separated husband.

ii) Children or stepchildren of the officer employee whether residing with the officer employee or not and wholly dependent on such officer employee but does not include children or step children of whose custody the officer employee has been deprived of by or under any law, and

iii) Any other person related by blood or marriage to the officer employee or to his spouse and wholly dependent upon such officer employee.

(d) In this context, the terms ‘relatives’ mean:-

a. Spouse
b. Father
c. Mother (including Step Mother)
d. Son (including Step Son)
e. Son’s Wife
f. Daughter (including Step Daughter)
g. Daughter’s husband.
h. Brother (including Step brother)
i. Brother’s wife
j. Sister (including Step Sister)
k. Sister’s husband.
l. Brother (including Step Brother) of the spouse.
m. Sister (including Step Sister) of the spouse.

(e) Advances to Relatives of Staff Members

(f) All proposals for credit facilities to the relatives of the staff members shall be referred for sanction to the appropriate delegatee under whose powers the proposal fall but not below the rank of Regional Manager and that such delegatee is at least one scale above in rank over the concerned staff member whose relative has applied for loan.

(g) Where the other party to a transaction, or the proprietor/partner/director of such opposite party / concern, is related to the delegatee the proposal / transaction will be referred to the next higher authority even though the proposal / transaction is within the powers of the delegatee. In such cases, the fact of the relationship with the delegatee will be brought out clearly while recommending to the higher authority.

(h) Exception

The facility against Term Deposits, approved Shares, LIP, NSCs, KVPs, Units of approved Mutual Funds can be sanctioned by the Competent Authority within their respective delegated powers as per the guidelines issued from time to time. LIP includes Life Insurance Policies issued by other Insurance Companies also, which can be assigned in favour of the bank.

(i) Advances to staff members / Ex-staff members and their relatives on commercial terms.

(j) Advance to staff members

(k) Requests for Loans may normally be received from Staff Members for considering on the terms and conditions applicable for general public. Such request will be considered as under:

(l) Matters relating to staff and officers up to scale II working in the region and regional office will be sanctioned by Regional Manager

(m) Matters relating to staff and officers in scale III and above, the sanctioning authority will be one scale higher than the concerned staff but not below GM (Credit)..

(n) Any credit facility sanctioned to a relative of any officer in Scale IV and above should be reported to the Board. Further, when a credit facility is sanctioned by an authority, other than Board to:

- any firm in which any of the relative of any senior officer (Officers in Scale IV and above) of financing bank holds substantial interest, or is interested as a partner or guarantor; or

- any company in which any of the relative of any senior officer (Officers in Scale IV and above) of the financing bank holds substantial interest or is interested as a director or as a guarantor. Such transaction should also be reported to the Board.

(o) No loan except against Bank's Deposit Receipts and other usual loans as has been permitted by the personnel department will be granted to a member of the staff by an authority lower than Chief Manager / Regional Manager. "Advance Salary" beyond prescribed rules would be deemed to be a 'Loan' for the purpose of these rules.

(p) Chief Managers may sanction advances to staff within their delegated powers and as per laid down policy of the bank subject to advice to the Head Office.

(q) Advances to Ex-Staff and their relatives:

- The clause (j) will remain applicable to the Ex-staff for a period of 2 years from the date he / she ceases to be in service of the Bank.
- The provisions of clause (e) shall not apply to the relatives of Ex-Staff members and they will be treated as any other borrower.

(r) Sanctioning advances through oral or telephonic instructions should not normally be done. However, in the event of urgent and demanding business requirements, such instructions should immediately be recorded and confirmed in writing. It is obligatory on the part of lower authority to seek on the same day and obtain confirmation in writing when acting upon the oral / telephonic instruction of the higher authority. It is equally obligatory on the part of the higher authority to confirm in writing on the same day any oral instructions given by him to a lower authority.

(s) Advances to staff and staff relatives under Direct Housing Finance Scheme to be considered strictly as per the provisions contained in the scheme. Sanctioning authority for such loans shall be as per the powers delegated specifically under the scheme**.**

a) Loans to Staff Members – Loans to Staff Members under DHFS would be sanctioned by the same sanctioning authority that would be sanctioning the loan under Staff Housing Loan Scheme.
b) Loans to relative of a Staff Member jointly with the staff member as principal borrower or co-borrower – Normal Sanctioning Authority.
c) Loans to Staff Relatives – Normal Sanctioning Authority.

(t) Lending Authority

To regulate the deployment of credit as well as sanction of credit, the Board of Directors of the Bank will determine the lending and discretionary powers of various authorities.

(u) The lending authorities in the bank shall be:-

i. Branch Manager in different categories of branches.
ii. Regional Manager in the Regional Offices.
iii. Chief manager / General Manager (Credit) in the Head Office
iv. The Chairman
v. Board of Directors.

(v) All Loans (whether temporary or on a regular basis) granted in exercise of lending powers will be made strictly in conformity with the Management's Policy regarding the Bank's lending activity and will always be in line with the shift in emphasis that may be advised from time to time.

(w) In exercising the lending authority, the delegatee will observe following pre- requisites: The borrower should be a customer of the bank, known to the bank or in case of a new customer the branch should have reasonable knowledge and / or experience in his line of dealings. Normally, discretionary accommodation will not be granted immediately on opening of an Account.

(x) The authority vested in the delegatee shall be exercised after having the proposals duly evaluated on the basis of :

i. Application in the prescribed format.
ii. Proposal in the prescribed format.
iii. Financial statements (latest being not older than one year and key financial

parameters not older than 6 months)

iv. Credit report from other banks.

v. Credit report prepared by the bank.

vi. Market reports wherever required.

vii. Particulars and state of related accounts with our bank.

viii. Particulars of credit limits enjoyed with other banks, and

ix. Process note.

(y) Every proposal / sanction will be justified by the borrower's past performance, or record of his dealings with the Bank and / or supported by a good status / credit report on him. A status / credit report on the party will be normally compiled before granting any facility. All credit facilities will be granted strictly in conformity with the terms as to margin, rate of interest etc. as prescribed from time to time by the Head Office and against "approved" securities (i.e. securities / assets on the bank's approved list).

(z) Lending powers will not, normally be exercised for granting any facility to a customer in whose favour a regular limit is already sanctioned (or declined), by the higher authority.

(zz) Total of the facilities granted to two or more concerns, which form a group, will not exceed the lending powers of the delegatee. In other words, all associate concerns will be treated as "one borrower" for the purpose of determining the maximum advance that can be granted by the delegatee.

(zzz) In case of credit proposals which need approval of deviations, if any, from Head Office, the concerned sanctioning authority has to sanction such proposals at their end if they fall within their lending powers and reference to HO shall be only for the purpose of seeking approval of deviations and not sanctions. Approval for deviation must be obtained before disbursement.

27. Lending Powers

Lending Powers delegated by the Board to authorities at various levels are given in Annexure - I

- The Chairman is authorized to enhance, abridge, amend or suspend the delegated power or any part thereof of any of the delegatee whenever need arises and on such occasions he may inform the Board post facto.
- Proper registers of adhoc sanctions / discretionary powers utilized by various authorities should be maintained along with the adjustment.
- The delegated powers shall be exercised in accordance with the Reserve Bank of India's directives / instructions / guidelines and also the Bank's lending policy and instructions on the subject.
- In Group cases, the delegatee will exercise only the authority vested as per the Lending Powers as above i.e. after taking the total limits of all the group accounts put together.
- All delegatees can consider term loans within their delegated powers.
- Lending Powers will not be exercised without ascertaining whether the borrowing concern and / or its proprietor / partner (s) has any account (s) with any other branch of the bank and if so, only after ensuring that similar or other facilities are not granted at the other branch (this would ensure the accommodation at one branch is not used to adjust advances at the other branch). In the same way, no proposal should be entertained by one branch, if they are aware that a similar one is rejected by any other Branch.
- While exercising lending powers, the delegatee will strictly observe the following procedure.
- Appropriate Loan Application / request on standard format and the prescribed credit information will be obtained in writing from the borrower.
- Even where the proposal is not required to be submitted to a higher authority, a process note will be completed in all respects (in the same manner in which a proposal is forwarded to higher authority for sanction) and appropriate comments on the proposal will be made on the Loan Application Form and the sanction will be accorded under the delegatee's full signature.
- Sanction Advice (on the prescribed manifold set) will be prepared and various conditions and security documents as prescribed and advised by Head Office from time to time for different types of limits will be correctly stipulated as part of the terms of sanction.

- **Revalidation of Sanction Limits**

Sanctions in respect of working capital and term loan facilities shall be valid for 6 months, from the date of sanction. Facilities not availed within the above period should be treated as lapsed and borrower be advised accordingly. Unless a lapsed sanction is revalidated by the competent authority within a maximum period of

12 months from the date of sanction, no facility should be released.

- Reporting of Sanctions

An appropriate entry will be made in the Sanction Reporting Register by the Delegatee to record the sanctions given by him under the powers vested in him/ her. A summary report on exercise of lending powers will be submitted to the controlling office, in the prescribed form within a week of the following calendar month(CRL-I & CRL-II with sanction letter & process note of loan above Rs.1,00,000.00)

- Review and renewal of Limits

All the working capital limits should be reviewed after 12 months period.

- Concept of Short Review

- In case, the Regular Review/Renewal of limits gets delayed for some genuine reasons like non-availability of provisional/audited financial statements, a system of conducting short review to take a view on continuation of facilities, stipulating a dead line for conducting regular review of limits, the borrowal accounts may be reviewed for a short period of not more than 6 months based on:

- Provisional figures submitted by Borrower.
- Statistical availment data of the limit and
- Past performance of the account.

- Regional offices are required to maintain and monitor the calendar of Review/Renewal of accounts of the branches under their jurisdiction.

- If due to unavoidable circumstances and due to genuine reasons the party is not able to furnish the required particulars and the renewal exercise cannot be completed by the due date, any extension of tenability of limits thereof can be done only through a short review by the respective sanctioning authority.

- Normally in expired limits, exposures beyond the sanctioned limits cannot be permitted.

- If credit limits are not renewed or extended as stated above, the branches/offices shall examine and recommend further course of action to the appropriate sanctioning authority.

- If the branches submit the full renewal credit proposal of a borrower before the expiry of the existing credit limits or before the expiry of the extended period of the credit limits recommending renewal based on merits thereof, they shall be in order in continuing to make available the existing credit facility till such time a decision thereon is received from the sanctioning authority. Also, if the sanctioning authority permits renewal thereof (including with enhancement, if any), the action of the branch concerned in making available the expired limits shall be deemed to have been approved.

28. Prohibitions on Exercise of Delegated Lending Powers and Discretionary Powers / Ad hoc Sanctions.

-Where a higher authority has already declined a proposal or an ad-hoc limit, the lower authority shall not exercise his delegated / discretionary authority.

-Giving continuous accommodation and / or allowing accommodation despite continued irregularities in the account, to the same customer or allowing indiscriminate excesses over the sanctioned limits.

- Granting temporary overdrafts in more than one account of the same party so that such funds are ultimately utilized by one and the same party.

- Adjusting advances granted in one account by giving accommodation in another account of the same party or its sister concern.

- Purchasing “accommodation bills”.

- Granting accommodation or recommending renewal or additional credit, without disclosing material irregularities in the account, such as large return of bills / cheques purchased shortages in stocks, lack of turnover of stocks etc.

- Splitting up a transaction to avoid reference to higher authority.

- Sanctioning a fresh proposal or a part there of which actually falls within the powers of higher authority.

- Restrictions on Use of Delegated Powers / Discretionary Powers / Adhoc

- No Officer or any committee comprising, inter-alia, an officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to his/ her relative. Such facility shall be sanctioned by the next higher sanctioning authority only.

- Frequent sanctioning of temporary overdraft to the same party in one or more accounts shall be avoided.

- Lending for Liquor Trade shall be sanctioned by the Head Office only.
- Lending to transport operators shall be sanctioned by Regional Mamagers, selectively through those branches where there is a good track record of recovery.
- Miscellaneous
- Full discretion is allowed to all delegatees to grant overdrafts / loans against banks own deposit receipts subject to:
  i) Usual margin requirement.
  ii) Prior approval of RBI wherever applicable.
- Where an Officer is appointed to officiate in a higher post, he shall exercise the powers attached to the higher post.
- Delegated Powers in case of Officials due for Retirement
- A delegatee who is about to retire within next three months, or has submitted resignation letter shall not exercise his delegated / discretionary powers. The Regional Manager shall sanction the loan proposals of such branches where no regular delegatee is available.

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ANNEXURE – I (Individual)

Lending Powers Delegated by the Board to various Authorities (Individual)

S.No.	**Schemes**	**Lending power of Sanctioning Authority**
1	Staff vehicle loan	Regional Manager /Chief manager
2	Staff /Officer Laptop/Desktop	Regional manager /Chief manager
3	Apna Ghar (general public)	Branch Manager Scale I- upto 4 lac
		Branch Manager Scale II-upto 8lac
		Regional manager - upto 10 lac
4	HBA (OFFICERS/AWARD STAFF)	General Manager /Chief Manager (Cr)
5	Education loan (Uttar Bihar Gyan Ganga)	Branch Manager Scale I - Nil
		Branch Manager Scale II - Upto 4 Lac
		Branch Manager Scale III- upto 7.5 Lac
		Regional Manager - Upto 10 Lac
		Head Office - Full & Ward of Staff
6	Loan Against mortgage of Immovable Property	Branch Manager I & II - Nil
		Branch Manager III - Upto 10 Lac
		BM IV & Regional Manager 15 Lac
		General Manager , Head Office 50 Lac
7	(SRTO)small road transport operators	Branch Manager I & II - Nil
		BM Scale III - upto10 lac
		BM Scale IV & RM -Upto 15 lac
8	OD overdraft facility for staff members	Regional Manager / Head office
9	Personal Loan for salaried Employees	Regional Manager & Above
10	Staff /Officer Vehicle Loan	RM/Chief Manager Head Office

Normal Lending Power

Incumbent	**Lending**

	Powers
Branch Manager (Scale -I)	**Upto Rs 4 .00lac**
Branch Manager (Scale -II)	**Upto Rs 8.00 Lac**
Branch Manager (Scale -III)	**Upto Rs 15.00 Lac**
Regional Manager	**Upto Rs 15.00 Lac**
Chief Manager	**Upto Rs 1.00 Crore**
General Manager	**Upto Rs 2.00 Crore**
Chairman	**Upto Rs 3.00 Crore**
Board	**Full**

Annexure-II

Methodology for assessment of Working Capital Limits

Turnover Method

Working capital requirements of the borrower under the Turnover method is computed on the basis of Projected Annual Turnover (PAT) / Output Value i.e. Gross Sales inclusive of excise duty. The total working capital funds requirements of the borrower is estimated at 25 percent of the projected turnover, of which at least four-fifth should be provided by bank and the balance one-fifth should be by way of promoter's contribution. While assessing the requirements of working capital under turnover method the following may be kept in view:

a) The projected annual turnover should be realistic and achievable. The reasonableness of PAT may be satisfied on the basis of annual statements of accounts or any other documents such as returns filed with Sales Tax / revenue authorities, orders on hand, industry growth, recent trend in sales etc.
b) The assessment of working capital credit limits should be done both as per projected turnover basis and traditional method. If the credit requirement based on production / processing cycle is higher than the one assessed on projected turnover basis, the same may be sanctioned. On the other hand if the assessed credit requirement is lower than the one assessed on projected turnover basis, while the credit limit can be sanctioned at 20% of the projected turnover, actual drawals may be allowed on the basis of drawing power to be determined by the bank excluding unpaid stocks. In the case of commodities covered under Selective Credit Control Directives of Reserve Bank of India, the drawing power should be determined as indicated in the RBI directive.
c) The working capital requirements to be assessed at 25% of the projected turnover is to be shared between the borrower and the bank viz. borrower contributing 5% of the turnover as NWC and bank providing finance at a minimum of 20% of the turnover. The above guidelines were framed assuming an average production / processing cycle of 3 months (i.e. Working capital would be turned over four times in a year). It is possible that certain industries may have a production cycle shorter / longer than 3 months. While in the case of a shorter cycle, the same principles could be applied as it is the intention to make available at least 20% of turnover by way of bank finance, in case the cycle is longer, it is expected that the borrower should bring in proportionately higher stake in relation to his requirement of bank finance. Going by the above principles, atleast one-fifth of the Working Capital requirements should be brought in by way of NWC.
d) Since the bank finance is only intended to support need-based requirement of a borrower if the available NWC is more than 5% of the turnover, the former should be reckoned for assessing the extent of bank finance.
e) In arriving at drawing power, unpaid stocks are not to be financed as it would result in double financing. The drawing power should conform to margin stipulations of Reserve Bank of India issued from time to time in the case of Selective Credit Control commodities.
f) In the case of traders, while bank finance could be assessed at 20% of the projected turnover, the actual drawals should be allowed on the basis of drawing power to be determined after ensuring that unpaid stocks are excluded. In the case of Selective Credit Control commodities, the RBI directives should be strictly followed.
g) The norms for inventory and receivables as prescribed under Tandon Committee as also first or second method of lending would not be applicable.

h) The level of trade credit should be in tune with past practice. Where projected trade credit is lower than the past level, the same may be accepted provided the justification offered is convincing.

i) To simplify delivery and monitoring of working capital requirement for loans upto Rs.10 lakh, a Working Capital Term Loan (WCTL) may be sanctioned, with simultaneous opening of current account for day to day operations, repayable in EMI after moratorium period as decided by the sanctioning authority.

Traditional Method: (Modified MPBF System) I) **Traders (Stockists)**

a) The credit requirements will be assessed on the basis of past indicators and future projections.

b) The current ratio should be minimum 1.33 with deviation up to 1.20 permitted during peak trading periods.

c) Subordinated debt / quasi-capital with usual declaration may be treated as part of capital employed.

d) In Trading account normally there will not be any long terms debts and therefore, TOL: TNW ratio to be considered. TOL: TNW ratio up to 4:1 shall be accepted.

II) **Modified MPBF System**

The Tandon Committee Norms on holding levels of inventory and receivables have been dispensed with. Holding levels as per the past practice will continue to be basis under the modified system. While the projections should reasonably conform to the past trends, deviations can be accepted subject to satisfactory justification.

Diversion of Funds

In case of borrowers with a current ratio above 1.50, the bank may permit investments that will facilitate improved profitability, tax savings, growth etc. provided such investments are planned and projected in financial statements furnished to the bank subject to the condition that the current ratio does not fall below 1.33. Where the current ratio falls below 1.33, suitable penalties for diversion of funds should be levied.

Cash Budget Method

The borrower is required to submit the cash budget to the bank along with actual as well as projected financial statements. The budget in the prescribed format is to be prepared for a period of one year and then split into forecasts for shorter periods say monthly or quarterly. The budget will provide the following information:

i) The peak level of bank finance required during the course of the year.

ii) The current level of bank finance required as forecast by the split budge (on monthly/quarterly) basis.

Appraisal

The budget must be scrutinized vis-à-vis the financial statements to satisfy that the forecasts are reasonable. Once the forecasts are found acceptable, the credit limit required by the borrower is to be determined as the peak level of cash deficit as shown in the budget. The sanctioning of the limit will be subject to the observance of the following:

a. Maintenance of Current Ratio—desired level is 1.33

b. The Debt: Equity Ratio (TOL: TNW) normally not to exceed 3:1

c. Borrower / Group exposure to be within norms determined by the Bank internally, but within the Reserve of India parameters;

d. The appraisal will also include assessment of the Company profile and Industry Profile;

e. There has to be an evaluation of risks at the time of fixing lending limits and if felt expedient, the level of operations and cash budget projections will be pruned down by the bank at the time of discussions before finalizing credit limits.

f. The disbursal of credit facilities will be by way of Loan and Cash Credit components as per stipulation of Loan Delivery System. Flexibility will be allowed in fixing maturity periods of the loans which can correspond to the quarterly budgets if the borrowers so choose. Once the maturity period is fixed, prepayment of the loan component if required shall be subject to RBI guidelines and also payment of a penalty upto 2% of the repaid loan amount for the unexpired period, as may be decided by sanctioning authority at his discretion.

g. Credit facilities on preferential terms like export credit should be assessed and disbursed in terms of existing procedure. However, the total of such facilities and all other fund based facilities availed should be within the limits under the Cash Budget.

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