

**CREDIT POLICY (Cir 223/2025)**  
**(Current year changes indicated in Red Colour)**

## **POLICY AND STRATEGIES**

### **Target markets**

#### **Thrust areas and non thrust areas**

Thrust areas include Agriculture sector, Industrial Sectors, MSME sector, Export segment, Other segments in Priority Sectors, and other sectors, which have growth potentials as identified by the Bank from time to time and also Infrastructure.

The Non-thrust areas of lending include Commercial Real Estate, NBFCs other than HFCs, Capital Market, industries/sectors which do not have growth potentials

#### **Definition of Startup :**

- **Upto a period of ten years** from the date of incorporation/registration (Pvt Ltd Co., Partnership & LLP)
- Turnover of the entity for any of the financial years since incorporation/registration has **not exceeded Rs. 100 crore.**
- Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

## **PRIORITY SECTOR ADVANCES**

**The categories under priority sector are as follows:**

1. Agriculture
2. Micro, Small and Medium Enterprises
3. Export Credit
4. Education
5. Housing
6. Social Infrastructure
7. Renewable Energy
8. Others

#### **Targets :**

- ❖ **Total Priority Sector : 40 percent of ANBC** or CEOBE Exposure whichever is higher.
- ❖ **Total agriculture : 18 percent of ANBC** or CEOBE, whichever is higher. Within this target, **14% is prescribed for Non-Corporate Farmers (NCFs)**, out of which a target of **10%** is prescribed for **Small & Marginal Farmers (SMFs.)**
- ❖ **A higher weight (125%)** would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower i.e., per capita **PSL less than Rs.9,000.**
- ❖ **A lower weight (90%)** would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher i.e., per capita **PSL greater than Rs.42,000.**

- ❖ **Micro Enterprises : 7.5 percent of ANBC** or CEOBE, whichever is higher
- ❖ **Weaker Sections : 12 percent of ANBC** or CEOBE, whichever is higher

#### **Agriculture - Farm credit :**

- Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), Proprietorship of farmers directly engaged in Ag&Allied viz. Dairy, Poultry, Animal Husbandry, bee keeping & Sericulture: Crop Loans, Medium Term, Long Term Loans, KCCS, Debt swapping to Agriculturists etc.
- Loans against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding **12 months** subject to a limit up to **Rs. 90 lakh** against **Negotiable Warehouse Receipts(NWRs) /electronic NWRs** and up to **Rs. 60 lakh** against warehouse receipts **other than NWRs/eNWRs**.

#### **Loans to Corporate farmers, Farmers' Producer Organizations (FPOs)/(FPC) Companies of Individual Farmers, Partnership firms and Co-operatives of farmers directly engaged in Agriculture and Allied Activities :**

- Up to an aggregate limit of **Rs.4 crore** per borrower.
- Loans up to **Rs.4 crore** against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months against **NWRs/eNWRs** and up to **Rs. 2.50 crore** against warehouse receipts **other than NWRs/eNWRs**.
- Loans up to **Rs. 10 Crore** per borrowing entity to **FPOs/FPCs** undertaking farming with assured marketing of their produce at a pre-determined price.

#### **Credit to corporate farmers; Loans to co-operative societies of farmers:**

- ❖ Loans **up to ₹10 cr** (Rs. 5 cr earlier under ancillary activity) to co-operative societies of farmers for **purchase of the produce of members directly engaged in agriculture and allied activities** included under farm credit to corporate farmers

#### **Agriculture Infrastructure:**

- Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units, Soil conservation and watershed development, Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting etc :
- **For the above loans, an aggregate sanctioned limit of Rs.100 crore per borrower from the banking system.**

### Ancillary activities :

- Loans up to **Rs. 50 crore to Start-ups**, as per definition of Ministry of Commerce and Industry, Govt. of India that are engaged in agriculture and allied services.
- Loans for setting up of Agriclincs and Agribusiness Centres.
- Loans for **Food and Agro-processing up to an aggregate sanctioned limit of Rs.100 crore per borrower from the banking system.**
- Loans to **Custom Service units** managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well- boring equipment, threshers, combine etc., and undertake farm work for farmers on contract basis.
- Loans sanctioned by banks to registered **NBFCs** (other than MFI) for on-lending to 'Term lending' component under Agriculture **up to Rs.10 lakh per borrower.**

### Small and Marginal Farmers (SMFs):

- Farmers with landholding of **up to 1 hectare (Marginal Farmers)**. Farmers with a landholding of **more than 1 hectare and up to 2 hectares (Small Farmers)**.
- Loans up to **Rs. 2.5 lakh** to individuals solely engaged in **Allied activities** without any accompanying land holding criteria.
- Loans **to FPOs/FPC** of individual farmers and co-operatives of farmers directly engaged in Agriculture and Allied Activities where the land-holding share of **SMFs is not less than 75 per cent.**

### MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) (MFG/SERVICE SECTORS)

#### Investment in plant and machinery or Equipment

- **Micro Enterprises** : Does not exceed **Rs.2.5 Crore** and **Turnover** does not exceed **Rs.10 Crores**.
- **Small Enterprises** : Does not exceed **Rs.25 Crore** and **Turnover** does not exceed **Rs.100 Crores**
- **Medium Enterprises** : Does not exceed **Rs.125 Crore** and **Turnover** does not exceed **Rs.500 Crores**.

All loans to units in the **KVI sector** will be eligible for classification under the sub-target of **7.5 percent** prescribed for **Micro Enterprises** under priority sector.

- ❖ **Loans up to Rs. 50 Crore to Start-ups**
- ❖ Loans sanctioned by banks **to NBFC**( other than MFIs) for on-lending to MSME sector up to **Rs. 20 lakh per borrower.**

### Export Credit

- Incremental export credit over corresponding date of the preceding year, up to **2 percent of ANBC or CEOBE**, whichever is higher, subject to a sanctioned limit of **Rs.50 crore per borrower**.

### Education:

- Loans to individuals for educational purposes, including vocational courses, **not exceeding Rs. 25 lakh**.

### Housing:

- Loans to individuals for purchase / construction of a **dwelling unit per family** in Centres with population of **50 lakh** and above: Loan limit **Rs.50 Lakh** and cost limit **Rs.63 Lakh**.
- Centres with population of **10 lakh and above but below 50 lakh**: Loan limit **Rs.45 Lakh** and cost limit **Rs.57 Lakh**.
- Centres with population below **10 lakh**: Loan limit **Rs.35 Lakh** and cost limit **Rs.44 Lakh**.

#### Housing loan to individuals for REPAIR / RENOVATION :

- Centres with population of **50 lakh and above**: Loan limit **Rs.15 Lakh** and cost limit **Rs.63 Lakh**.
- Centres with population of **10 lakh and above but below 50 lakh**: Loan limit **Rs.12 Lakh** and cost limit **Rs.57 Lakh**.
- Centres with population below **10 lakh**: Loan limit **Rs.10 Lakh** and cost limit **Rs.44 Lakh**.
- Bank loans to any Governmental Agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to dwelling units with **carpet area of not more than 60 sq.m.**
- Bank loans for affordable housing projects using **at least 50% of FAR/FSI** for dwelling units with carpet area of **not more than 60 sq.m.**
- Bank loans to **Housing Finance Companies (HFCs)**, approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of **Rs. 20 lakh per borrower** (this amount not changed)

### Social infrastructure

- Bank loans up to a limit of **Rs. 8 crore per borrower** for setting up **schools, drinking water** facilities and **sanitation** facilities including construction/refurbishment of household toilets and water improvements at household level, etc. and

- Loans up to a limit of **Rs. 12 crore** per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres.

## Renewable Energy

- Bank loans up to a limit of **Rs. 35 Crore to borrowers** for purposes like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for nonconventional energy based public utilities, viz., street lighting systems and remote village electrification etc., are eligible for Priority Sector Classification.
- For **individual households**, the loan limit is **Rs. 10 Lakh per borrower**.

## Others

- Loans not exceeding **Rs. 2.00 lakh** provided directly by banks to SHG/JLG for activities other than agriculture or MSME, viz., **loans for meeting social needs**, construction or repair of house, construction of toilets or any viable common activity started by the SHGs.
- Loans to **distressed persons** [other than distressed farmers indebted to non-institutional lenders] **not exceeding Rs.1 lakh** per borrower to prepay their debt to non-institutional lenders
- **Investment by Banks in Securitization notes:** The all-inclusive interest charged to the ultimate borrower by the originating entity should not exceed the investing bank's **MCLR + 10% or EBLR + 14%**. (EBLR: External Benchmark Lending Rate)

## Weaker Sections:

- Small Farmers, Marginal Farmers
- Artisans, village & cottage Industries with credit not exceeding **Rs.2 lakh**,
- NRLM/NULM/SRMS, SC/STs, DIR, SHGs,
- Debt Swapping to Farmers,
- Debt swapping to other than farmers upto Rs.1 lakh,
- Women beneficiaries upto **Rs.2 lakh** loan,
- Persons with disabilities, **Transgenders**, Minority communities notified by Govt. of India.

## Service Charges:

No service charges/inspection charges should be levied on priority sector loans up to **₹50,000**

**Bank loans to MFIs for on-lending :** Provided **not less than 60 percent** of total assets of MFI are in the nature of **Micro Finance Loans**, ie **Qualifying Assets** and aggregate amount of loan extended **for income generating activity**, should be **not less than 50 percent** of the total loans given by MFIs. (As per RBI cir dt 06.06.2025, **Qualifying Asset criteria reduced from 75% to 60%**)

#### A “Qualifying Asset” shall mean :

- The loan is to be extended to a borrower whose household annual income does not exceed **Rs. 3,00,000/-** in all areas.
- Tenure of the loan not to be less than **24 months** for loan amount in excess of **Rs. 30,000** with prepayment without penalty.
- The loan is **without collateral** and Loan is **repayable by weekly, fortnightly or monthly installments** at the choice of the borrower.
- **Margin cap:** The margin cap should **not exceed 10 percent** for MFIs having loan portfolio **exceeding Rs.100 crore and 12 percent for others.**
- **Interest cap on individual loans:** With effect from April 1, 2014, interest rate on individual loans will be the **average Base Rate** of five largest commercial banks by assets **multiplied by 2.75** per annum or cost of funds plus margin cap, whichever is less.

#### Bank loans to NBFC (Other than MFIs) for on-lending

- **Agriculture:** On-lending by NBFCs for ‘**Term lending**’ component under Agriculture will be allowed up to **Rs.10 lakh per borrower.**
- **Micro & Small enterprises:** On-lending by NBFC will be allowed up to **Rs.20 lakh per borrower.**
- **Bank loans to HFCs for on-lending :** Bank credit to Housing Finance Companies (HFCs), **approved by NHB for their refinance**, for on-lending for the purpose of purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of **Rs.20 lakh per borrower (no change in amount)**
- **Bank credit to NBFCs including HFCs for onlending will be allowed upto an overall limit of 5% of individual bank’s total Priority Sector Lending.**

**NBFCs other than NBFC-MFIs: Can NOT extend Micro Finance Loans exceeding 25% of its total assets.**

Shortage of Priority Sector Targets : to deposit shortfall amount in RIDF or with SIDBI/NABARD/NHB/MUDRA Ltd.

**Interest payable to Banks on RIDF funds is::**

**Bank Rate - 2% : if PS target short fall less than 5%**

**Bank Rate - 3% : if PS short fall less 5% to <10%**

**Bank Rate - 4%: if PS short fall is 10% and above**

## Coverage by Export Credit Insurance from Export Credit Guarantee Corporation (ECGC)

### Pre-shipment Credit :

- Bank has subscribed to Export Credit Insurance for Banks -**ECIB (WTPC)**, which covers all packing credit advances granted by the Bank.
- Bank may **absorb the premium under ECIB (WT-PC) of ECGC selectively on a case to case basis**. Such permissions shall be obtained from CGM/GM-HO-CAC and above authorities.

### Post-shipment credit:

- Covered under Post-Shipment Credit under Export Credit Insurance for Banks (Whole Turnover Post Shipment) [**ECIB. (WT-PS)**] of ECGC.
- The premium in respect of ECIB (WT-PS) is **borne by the Bank and not to be recovered from exporters**.
- In addition to ECIB-WTPS, individual **Buyer-wise Policy** to be obtained by the **exporter client**
- **Buyer-wise Policy need not be insisted upon for: 1. Negotiating non-discrepant LC bills/LC Bills under acceptance and 2. Exporters covered under Enhanced 90% cover of ECGC as conveyed by HO Circulars from time to time.**

### CREDIT INFORMATION:

**“Credit Information Companies” for drawing of Credit Information Reports (CIRs) under Consumer (individual a/cs) and Commercial segments (other than individual a/cs)**

- (i) M/s. TransUnion CIBIL Limited
- (ii) M/s. Experian Credit Information Company India Private Ltd. (ECICI)
- (iii) M/s. Equifax Credit Information Services Private Ltd. (ECIS)
- (iv) M/s. CRIF High Mark Credit Information Services Pvt. Ltd. (CHMCIS)

### Credit Information Report (CIR)

- CIRs 3 digit score represents Probability of Default over one year horizon period.

**The mapping of CIC scores and Internal Risk Grades are as under:**

<b>CIBIL/CRIF/Equifax/ Experian</b>	<b>Risk Grade</b>	<b>Risk Description</b>
750 and above	CS: 1	Low Risk
749-700	CS: 2	Normal Risk
699-650	CS: 3	Moderate Risk
Below 650	CS: 4	High Risk

**Criteria for drawing CIR from multiple Credit Information Companies (CICs) for consumer segment are as under:**

Sl. No.	Particulars	Report from one CIC	Reports from 2 CICs
		Limit up to	Limit above
I	Secured Loans		
(a)	Personal Segment		
(i)	Housing Loans	10 Lacs	10 Lacs
(ii)	Car loans	5 Lacs	5 Lacs
(iii)	Education loans	7.5 Lacs	7.5 Lacs
(iv)	All other secured loans	5 Lacs	5 Lacs
(b)	MSME Segment	10 Lacs	10 Lacs
(c)	Agri. Segment	3 Lacs	3 Lacs
(d)	All other loans	10 Lacs	10 Lacs
II	<b>Unsecured Loans</b>	<b>Report 1 CIC</b>	<b>Report 2 CICs</b>
(a)	Personal Segment		
(i)	Personal loans	1 Lac	1 Lac
(ii)	Education loans	4 Lacs	4 Lacs
(iii)	All other loans under Personal Segment	5 Lacs	5 Lacs

- For **Gold Loans**, only **one CIR** is required irrespective of quantum of the loan.
- For Loans to **Non Individuals (firms)** **CIR under Commercial Segment** to be obtained.

In case, CIC score of the borrower as per CIC Report (Consumer) is less than 650, proposal **may be sanctioned as under:**

Sanctioning Authority	Permitting Authority
Upto RO Head CAC	Next Higher Authority
Above RO Head CAC	Respective CACs

- The Risk Grade/Credit score based delegation of powers shall NOT apply in case of COMMERCIAL SEGMENT.
- Further, if a score of -1 is displayed in the TransUnion CIBIL report, it shall be interpreted as the individual has no credit history available in the last 36 months

**Canara Retail Grade** : Applicable for all **Retail Lending Schemes** other than Canara Pension, EL, GL.

Scoring Band	Rating Grade	GradeDescription
> 95	CRG-Prime	Low Risk-I
> 80 ≤ 95	CRG-1	Low Risk-II
> 70 ≤ 80	CRG-2	Normal Risk
> 60 ≤ 70	CRG-3	Medium Risk
≤ 60	CRG-4	High Risk

## **RISK TIERS FOR RETAIL BORROWERS:**

- **Near Prime**, where CRG-3 (CIC score 730-681 where CRG not applicable)
- **Sub Prime** where CRG-4 (CIC Score 300-680 where CRG not applicable)

## **Maximum ceiling prescribed for Near Prime & Sub Prime borrowers, to avoid concentration. Ceiling is:**

- **Near Prime : max.10%** of Retail loans sanctioned during the year (Trigger 9% CRG, 8% if CRG not applicable)
- **Sub Prime: max 5% of Retail loans** (Trigger : 4.5% for CRG applicable, 4% non CRG)

## **LENDING TO REAL ESTATE SECTOR**

### **Non-commercial Real Estate Sector:**

- All Housing Loans
- Loans to business entities for construction of their own office premises, for development of SEZs, for acquisition of units in SEZs.

## **NON THRUST AREAS:**

### **Commercial Real Estate (CRE) Exposure:**

- The funding will result in the **creation / acquisition of real estate** where the prospects for **repayment** would depend primarily on the **cash flows** generated by the asset.
- The primary source of cash flow (i.e. **more than 50% of cash flows**) for repayment would generally be **lease or rental payments or the sale of the assets** as also for recovery in the event of default.

### **Commercial Real Estate – Residential Housing (CRE-RH)**

- Loans to builders/ developers for **residential housing projects** comprising of some **commercial space** (e.g. Shopping complex, school etc.) that **does not exceed 10% of the total Floor Space Index (FSI) of the project.**(FSI is total built up area in the site)
- ❖ Banks are **not permitted** to extend Fund Based or Non Fund Based facilities to Private Builders **for acquisition of land** even as part of a housing project.
- ❖ For **individuals** who wish to purchase of plot for construction of house bank may lend for the same provided the **construction starts within 18 months.**
- ❖ The builder/developer/company would **disclose in the Pamphlets / Brochures** etc., the name(s) of the bank(s) to which the property is mortgaged and they would provide **No Objection Certificate (NOC)/** permission of the mortgagee bank for sale of flats / property, if required
- ❖ HLs extended to individuals for the **third housing unit onwards treated as CRE** as the borrower may be renting these units and repayment will be rental income.

## Project Parameters – Commercial Real estate

- The maximum exposure to a particular project under Commercial Real Estate by the Bank shall **not exceed Rs. 500 Crore or 3.33 times of the Tangible Net Worth of the borrower** whichever is lesser.
- **DER : Not more than 3 : 1**
- **Promoters' contribution : Minimum 50%** ( 25% equity/quasi equity, of which **equity min.17% and quasi equity maximum 8%**) and **25% margin** may be **advance money** if land is already purchased).
  - ✓ If land is not purchased, **34% minimum equity** and maximum 16% quasi equity.
  - ✓ In case land is to be purchased **from Govt., Overall margin 40%** (28% equity capital, upto 12% Quasi equity).
- **DSCR : 1.50** (1.25 in exceptional cases by sanctioning authority)
- **FACR: 2:1** (1.75 in exceptional cases by HO authorities)
- **Repayment period : 3 years** from DCCO in case of sale of Property. **7 years** from DCCO if repayment is out of lease rentals and **maximum 10 years including moratorium**.
- ❖ Branches / offices shall **obtain collateral security** (Residential / Commercial property) in addition to the primary security. The **Distress Sale Value** of collateral security **shall not be less than the loan amount. (less than 100% upto 75% by GM/CGM-HO-CAC)**
- ❖ All projects subject to **Project Appraisal. CRE-RH upto Rs.5 cr exempted.**
- ❖ **LTV monitoring on yearly basis** . LTV at any point of time should not be more than that accepted at the time of sanction.
- ❖ **Valuation to be done once in 3 years**. If a/c appears in **SMA 1**, shows any Early Warning Signals or any adversities affecting marketability of property, valuation shall be obtained **ONCE IN A YEAR**.
- ❖ No separate WC limits. **WC limits should be sub limit of Term Loan** and project specific.
- ❖ Adherence to **National Building Code (NBC) 2005**: applicable in respect of loans for construction of building **exceeding Rs.25 Crore**.
- ❖ The **National Disaster Management Authority (NDMA)** guidelines : For all types of Real Estate Exposures of **Rs.1 Cr. and above** including Housing Loans, finance to builders.

## LENDING TO BORROWERS CLASSIFIED AS CAPITAL MARKET EXPOSURE

- Maximum exposure by Bank (Solo basis and consolidated basis) to capital market **not to exceed 40% of bank's net worth** (as on 31<sup>st</sup> March of previous year).
- **Direct investment in shares**, bonds, Venture Capital funds not to exceed **20% of bank's net worth**.
- Credit facility shall be extended to **share and stock broking activities** only and not for any speculative purposes.
  - ✓ **Margin 50% for OD facility & CDB** and
  - ✓ **20% for intra day Adhoc Overlimit.**
  - ✓ **OD against property 40% margin**
- For other businesses: **No loans** against primary security of Shares & debentures. They can be **accepted as collateral security**.
- ❖ **Margin on advances / issue of guarantees against shares /Units of Mutual Funds:**
  - 50% (**25% If shares & debentures are in demat form**).
  - In case of BGs for capital market operations, **minimum cash margin of 25%** is prescribed with in total margin of 50%.

### Advances against units of Mutual Funds:

- Linked to Net Asset Value (NAV) or Repurchase price or Market Value whichever is less.

### Loans to Mutual funds:

- Within the ceiling of **20% of the net asset** of the scheme and for a period **not exceeding 6 months**.

## LENDING TO NBFCs: Statutorily Registered with RBI

- **Principal business of NBFC is defined as :** Aggregate of financing **real/physical assets supporting economic activity** and income therefrom is **not less than 50%** (of assets & income).
- **ASSET FINANCE COMPANIES :** Financing of physical assets supporting productive/economic activity. Not less than **60% of total assets** and income from physical assets.
- **Infrastructure Finance Companies :** A non-banking finance company which
  - (a) deploys **at least 75 per cent** of its total assets in infrastructure loans;
  - (b) has a minimum Net Owned Funds of **Rs. 300 crore**,
  - (c) has a minimum credit rating of '**A 'or equivalent**'; and
  - d) **CRAR of 15%**.
  - e) It accepts public funds.

**Systemically Important Core Investment Company (CIC-NDSI):**

- It holds not less than **90% of its Total Assets** in the form of investment in equity shares, preference shares, debt or **loans in group companies**.
- **Not less than 60% of its total assets - Equity shares of Group companies.**
- **Its asset size is Rs.100 cr and above and**
- **It accepts Public Funds.**

**Infrastructure Debt Fund (IDF – NBFC):**

- To facilitate the flow of long term debt into infrastructure projects. It raises resources through issue of Rupee or Dollar denominated bonds of **minimum 5 year maturity**.

**NBFC – Micro Finance Institutions (NBFC-MFI):** NBFC having not less than **60%** of its assets in the nature of **qualifying assets**.

**NBFC – Factors:**

- A non deposit taking NBFC engaged in the principal business of factoring.
- At least **50** percent of its total assets and its income derived from factoring business should not be less than **50** percent of its gross income.

**Mortgage Guarantee Companies (MGC):**

- ❖ At least **90%** of the business turnover is mortgage guarantee business or at least **90%** of the gross income is from mortgage guarantee business and net owned fund is **Rs.100 crore**.

**NBFC Non Operative Financial Holding Company (NOFHC)** is a financial institution through which promoter/group will be permitted to set up a new Bank.

**Total Borrowings of NBFCs restricted to:**

- ❖ 16 times of Net Owned Funds for NBFCs owned/controlled by Central/ State Govts.
- ❖ 12 times of NOF for AAA rated NBFCs
- ❖ 10 times of NOF for AA/A rated NBFCs
- ❖ 16 times of NOF for HFCs regulated by NHB
- ❖ **Minimum Asset Coverage Ratio for financing NBFC** is 1.10 for NBFC-MFI and for other NBFCs : 1.25 (AAA rated:1.10; AA:1.15, A rated:1.20)
- ❖ **Asset Coverage Ratio = Assets/Total Outside Liability(TOL)**

**LENDING TO SOFTWARE :**

- Margin on computer hardware, as well as fixtures and interiors (where applicable) shall be **40% to 50%**.
- The margins on computer hardware could be kept lower **at 25% to 30%** in cases where the vendor has provided guarantee for upgradation of the equipment or has entered into buy-back arrangement with the user unit.
- **Repayment** period for the TLs shall normally **not exceed 3/4 years**.

**Scheme for financing producers of feature films :**

- Producers who have a good track record for atleast **5 years** and are not defaulters with NFDC or any other financial institution.
- Our finance should **not exceed 35%** of the project cost. **Margin 65%** of which promoters 25% and 40% as advance from distributors.

**Bills discounting :**

- Part of Working Capital Finance.
- Borrowers (corporates and other constituent) having sales turnover of **over Rs.50 crore shall disclose, "Ageing schedule"** of their overdue payables in their periodical returns/ statements submitted to the Bank.

**Bills discounted under LCs (BULC) :** Treated as exposure on the LC issuing bank, if LC is issued by other Bank.

**Short Term Corporate Loan (STCL) Scheme :**

- For business related purposes/short term cash flow mismatches.
- Only to parties with good track record & no overdues.
- For Indian Corporates to their Joint Ventures/WOS abroad, Within the **prudential cap of 20%** of the unimpaired **capital funds** (Tier I & Tier II) of the Bank as fixed by RBI]

**SECURED STCL:**

- **Secured Loan.**
- Maximum tenor: **12 months.**
- Rollover may be permitted only once for a maximum period of 06 months (with in max. tenor of 12 months).
- To be **availed with in 3 months from sanction.**

**Unsecured STCL :**

- Only to Profit making PSUs and Government Organisations.
- **Max. tenor 6 months.**
- The loan sanctioned shall have to be availed within a maximum period of **30 days from the date of sanction** and in not more than **2 tranches**

**Corporate Loan Scheme :**

- Secured **Medium Term Loan.**
- **For All General corporate purposes, credit facilities to Indian Joint Ventures / Wholly Owned Subsidiaries abroad in terms of extant regulatory guidelines etc**
- The maximum tenor of the loan granted under the scheme shall be **60 months.**
- Sanction by CAC of Board and above committee

**Consortium advances:**

As far as possible meaningful participation is ensured by taking a share of **atleast 10%** of the total Fund Based limits. Co ordinated approach and sharing information. Sharing of prorata business.

### **Multiple Banking Arrangements (MBA) :**

- **Pari-Passu charge** over the security hypothecated shall be obtained.
- A **quarterly exchange of information** among the financing banks.
- **CA certificate – Half yearly** for compliance of statutory guidelines.
- Declaration about credit facilities enjoyed with other banks to be obtained duly **certified by Auditors**, at the time of **fresh sanction/renewal/enhancement**.

### **Joint Lending Arrangement (JLA) :**

- Single borrower with aggregate credit limits (both Fund Based and Non- Fund Based) of **150 Crore and above** involving more than one Public Sector Bank.
- All non investment grade borrowers rated below BBB or equivalent irrespective of the amount of exposure.

### **Time frame for issuance of NOC / Pari-Passu letters and Ceding of charge in respect of consortium/ MBA:**

- While granting additional facilities by existing Bank/new bank in consortium/MBA should communicate and complete NOC process **before disbursement**.

### **Lead Bank in consortium/Bank with Highest share in MBA :**

- To decide whether to cede paripassu charge or not:
- To conduct meeting with in 15 days of receipt of NOC request letter for creating paripassu charge.
- Next 30 days to take decision by lead bank and their sanctioning authority. **Total 45 days** from receipt of request letter by **lead bank**.
- **Other member Banks** can take another 30 days to get approvals from their Sanctioning Authority.
- **Hence, total period is 75 days to complete the process of ceding paripassu.**
- **Objection** by any member bank for NOC, to be communicated to other banks and borrower with in **15 days** of receipt of request letter.

### **Loan Syndication:**

- Bank shall obtain **a mandate from the project sponsor** and act as a Lead Manager / **Mandated Bank** to arrange credit on its behalf.
- Prepare an **information memorandum** based on the mandate, commercial terms and issue the same to the prospective lenders (banks) soliciting their participation in loan syndication.

### **Scheme for financing Indian Companies for acquisition of equity in overseas companies**

- Provided to high net worth top rated corporates (AAA/LR1, LR2) whose minimum **TNW shall be Rs . 100 Crore** as per the latest ABS.
- **Loan quantum: Min. USD1 million.** Max: Twice the TNW of the company.
- Term Loan in INR/FC.
- **Max. repayment 60 months** (72months in exceptional cases by SA)

### **Foreign Currency Loans (FCLR) to Residents :**

- FCLR can be permitted in USD, GBP & in EURO.
- Other than PSUs, **collateral security 125% (for Moderate Risk A/cs)** of proposed FCLR
- The minimum loan amount should be equivalent to USD 150,000 in case of working capital loans/Term loans and
- equivalent to USD 50,000 in case of Short Term Import financing.
- **FCLR loans for liquidation of existing Rupee Term Loans** : If residual loan tenure is less than 5 years.

### **Granting of FCLRs to NON BANKING FINANCE COMPANIES (NBFCs)**

- To AAA rated NBFCs.
- Max.quantum per NBFC is USD 5 million.
- Repayment: WC:1 year and TL:3 years.

### **In OPLs NET MEANS:**

- ❖ Fair: 10 to 25 lakhs,
- ❖ Good means 25 lakhs to 1cr.,
- ❖ Very Good: 1 to 10cr,
- ❖ Large 10 to 25cr,
- ❖ Very Large means: Above 25 crores

**Secured OD:** Stock/Book Debt statements : once in 6 months

### **LENDING TO INFRASTRUCTURE INVESTMENT TRUSTS (InvITs):**

- Financing to InvITs is primarily **for acquiring promoter's stake**
- Bank finance should be restricted to **50%** of the finance required for acquiring the promoter's stake in the company being acquired.
- The Holding of the InvIT in the underlying assets should not be less than Rs.1000 crore and Net worth not less than **Rs1000 crores**.
- The aggregate exposure ceiling for financing InvITs has been fixed at **Rs.1000 crore** which is including of investment exposure.
- Within this ceiling, Individual InvITs may be financed upto a ceiling of Rs. **100** crore which is the prudential ceiling in respect of Society and Trust other than Educational Institutions and Hospitals.
- **Margin: 50%. DER: 1:1, DSCR: 1.50 (SA may accept 1.25)**
- Repayment : **Max 7 years**. No moratorium
- For the purpose of capital adequacy, the risk weight applicable to Capital Market Exposure (CME) or that applicable to the counterparty, whichever is higher shall be applied (Basing on end use of funds – **for Infra or for capital assistance**) Cir 622/2023)

- The trust is required to invest a minimum of **80 per cent** of the value of InvIT assets in **completed & revenue generating infra assets** and not more than 10% of the value of the assets shall be invested in under-construction infrastructure projects, whether directly or through holding co or SPVs.

#### **Inter Bank Participation Certificates (IBPC):**

- ❖ Period: **91days to 180 days** (with Risk sharing) **90 days** without risk sharing.
- ❖ IBPCs issued by Banks with minimum CRAR of 10% are eligible for subscribe to IBPC by our Bank.

#### **Co-Lending by Banks and NBFCs (including HFCs) to Priority Sector:**

- ❖ Bank will take its share of the individual loans on a back-to- back basis in their books.
- ❖ **NBFCs shall be required to retain a minimum of 10 per cent share** of the individual loans on their books.(reduced from 20% during this year 2025)
- ❖ Originating RE should transfer the share of the exposure to the partner RE under CLA within **15 calendar days**
- ❖ Originating RE may provide **default loss guarantee up to five per cent** of loans outstanding in respect of loans under CLA

#### **DIGITAL LENDING FRAMEWORK**

- To provide /facilitate **end to end lending process under digital mode** for Retail, MSME & any other credit portfolio.
- Wherever banks engage digital lending platforms as their agents to source borrowers and/ or to recover dues, Names of digital lending platforms engaged as agents shall be **disclosed on the website of banks**.
- **Annual Percentage Rate**: the effective annualized rate charged to borrower of a digital loan. **All inclusive cost and margin**, including cost of funds, credit cost, operating cost, Processing fee, verification charges, maintenance charges etc.
- **Cooling off/Look up period**: the time window given to borrowers for exiting digital loans, in case a borrower decides not to continue with the loan.
- **Key Fact Statement (KFS)** to be provided to the borrower before the execution of the contract in a standardized format for all digital lending products. It should contain **Annual Percentage Rate (APR)** ie all-inclusive cost of digital loans
- **Default Loss Guarantee (DLG)** in Digital Lending: The total amount of DLG cover on any outstanding portfolio which is specified upfront shall not exceed **five per cent** of the amount of that loan portfolio.
- **Bank shall invoke DLG within a maximum overdue period of 120 days**

## OPERATIONAL PROCESSES AND SYSTEMS

In respect of all credit proposal of **Rs.1 Crore & above**, Relationship and Appraisal functions shall be segregated between the relationship officer and credit officer at Branch level at LCBs and ELB/ VLB

### Submission of credit proposals by Large Corporate Branches (LCBs)

- CGM-CO-CAC power proposals to be submitted to **CO** and beyond CO powers to HO directly duly sending a copy to CO who will submit front sheet to HO with in 2 days.
- Similarly MCBs also to send to **HO directly** HO power proposals, with a copy to CO who in turn will submit front sheet with in 2 days to HO concerned wing.
- Fresh proposals of **Rs. 10 Crores and above shall be handled only by MCBs in MCB Centres**

### Submission of credit proposals by branches falling under the sanctioning powers of Circle Office:

- To submit directly to CO with a copy to RO who will send front sheet within 2 days to CO.

### Submission of credit proposals of MSME by branches:

- Beyond cumulative cut off limits of Rs 25.00 Lakh or branch delegated power whichever is less

### Participation in Bids / Quoting of Rates :

- Quotes (ROI / Commission) to PSUs, PSEs, Central Government Undertakings and State Government Undertakings :
- **ED: Upto Rs.300 crores. MD: Beyond Rs.300 crores.**

### For availing Credit Facilities (fresh limits/additional / renewal) during FY (T),

- ❖ Audited Balance Sheet (ABS) should be available for FY (T-2) during the period April to October and
- ❖ Audited Balance Sheet (ABS) should be available for FY (T-1) during the period November to March.
- ❖ If the Financial statements (ABS) submitted are **more than 6 months old** at the time of submission of proposal for fresh limits/additional limits/ renewal, **latest provisional financial statements** shall be submitted by the parties / borrowers.

### ABS need not be obtained from borrowers seeking crop loans/other Ag Loans upto Rs.100 lakhs.

- Above 100 lacs waiver by RO-CAC and above. Additional Risk Premium 0.25% above card rate.

- ❖ Financial statements (ABS, P&L) submitted by Companies to be verified with the Financial Statements of the company filed with **Ministry of Corporate Affairs (MOCA) website**.
- ❖ All documents provided by the Chartered Accountants should mandatorily contain UDIN and is verified with the ones uploaded in the **UDIN portal** of the Institute of Chartered Accountants of India(ICAI).
- ❖ Further, in cases of proposals wherein the limits are **above Rs.5.00 crore**, a copy of the **passports of the Promoters/** Promoter Directors and Guarantors are to be mandatorily obtained. If not having, declaration to submit when they get passport.
- ❖ **Report from Central Economic Intelligence Bureau** to be sought for exposures **above Rs.50 crore** in respect of all **prospective borrowers** and also wherever the borrowal account with an amount **exceeding Rs. 50 crores slips to NPA**.

#### **Obtention of Legal Entity Identifier (LEI) code:**

- ❖ **Non individual borrowers** enjoying aggregate exposure of **Rs 5 Crores** and above from Banks and Financial Institutions shall submit Legal Entity Identifier (LEI) Code wef 30.04.2025.

#### **Assessment of Group risk:**

- **Key financials (Turnover, Net Profit, Leverage, TNW, Liquidity etc)** of major group concerns/companies including **JVs** having **holding above 30% of paid up capital** in all the accounts and also
- Where **corporate guarantees** are stipulated
- Shall be incorporated in the office note.

### **ASSESSMENT – WORKING CAPITAL**

#### **Turnover Method :**

- ❖ **20%** of the **projected gross annual sales turnover** accepted by the Bank
- ❖ Minimum margin : **5%** or **available NWC** in the system whichever is **higher**.
- ❖ **CR: 1.25**

<b>ACTIVITY</b>	<b>WC(FB) LIMIT</b>
MSME(Mfg& Services)	Upto 5 Crore
Other than MSME	Upto 2 Crore
Traders, Merchants, Exporters, IT& Software, others etc.,	Upto 2 Crore

However, **borrowers can opt for MPBF/Cash budget system** and Bank can employ it if the same is more suitable and appropriate for assessing their working capital needs.

### **MPBF System:**

- ❖ Applicable to beyond cut off limits of Turnover method.
- ❖ **CR : 1.33**
- ❖ **Limits over 25 Cr can be assessed on the basis of MPBF system or Cash Budget system at the option of the borrower.**

### **Cash Budget System :**

- WC limits are assessed on the basis of **projected cash flow and the estimate of cash deficit.**
- Borrowers seeking / enjoying Fund based credit facilities of over **Rs.25 crore.**
- Specific industries / **seasonal activities** such as **software development, construction, tea and sugar.**
- Wherever for valid reasons, the borrower opts to avail the Working Capital facility under **MPBF system**, the same may be acceded to.
- Bank shall finance the **discounted Net Cash flow** in form of **Term Loan** not exceeding **3 years** to the entities having valid legal contract for receiving **definite cash flow from government entities or AAA** rated corporate or credit card receivables where **our bank POS machine is installed.**

### **Assessment of Working Capital limits for Construction companies:**

- ❖ WC limits generally should not exceed **9 times the Net Owned Funds (NOF)** of the entity.

### **Assessment for NBFCs :**

- ❖ Under **Cash Budget Method.** Need not be linked to NOF.

### **Gold Card Scheme for Exporters – Stand by Credit Limit:**

- To facilitate urgent credit needs-
- **20% over and above the assessed limits.**
- For a maximum of **2 times** only in a year for period **not exceeding 60/90 days** at a time.

### **Lending on the guarantee issued by other banks / Fls**

- The borrower shall have satisfactory dealings with the Bank for at least **3 years**
- The guaranteeing bank should have a fund based exposure to the party to the extent of **at least 10% of the amount guaranteed.**

## Liquidity & Current ratio norms

- The benchmark current ratio is a **minimum of 1.33 or 1.25** basing on methods of Assessment to which borrowers are eligible
- These norms **not applicable for WC to Schools, colleges, hospitals, nursing homes, hotels and restaurants, service providers, Infra projects and plantation.**
- Benchmark **CR not applicable for Sugar Industry.**
- Bank may obtain **quarterly cash flow statements** in respect of borrowers having working capital limits of **Rs.50 cr and above** from the Bank or **Current ratio is less than the prescribed norms** for monitoring.
- In case of large projects with total loan of **over Rs.250 Crore** & above from banking system, the bank shall stipulate a condition to the effect that cash flow of the company may also be monitored by an **approved / empanelled firm (Agency for Special Monitoring-ASM)**

## Quick Ratio:

- ❖ **Desirable level of Quick Ratio in respect of MSME borrowers** with total exposure **above Rs.10 Crores** (FB+NFB) &
- ❖ **Other than MSME Borrowers above Rs.50 crore**, as financial benchmark parameter and
- ❖ The same varies from 0.61 to 0.93 basing on type of industry.

## Compliance to the sanction terms and conditions

- ❖ Certificate : NF482

## Fixation of time schedules for working capital limits

- ❖ Maximum **period/** tenability of Working Capital limits shall be **fixed at 12 months** irrespective of risk rating/ category excluding Staff ODC, GL OD, Crop Loan KCC, certain schematic lendings like **Doctor's Choice scheme.**

## Putting through EMT/ Mortgage transactions

- First & Second extension by SA for **maximum 6 months.**
- 3<sup>rd</sup> extension onwards NHA (next higher authority) upto CO powers.
- Concerned SA at HO for HO power accounts.

## Loan System For Delivery Of Bank Credit (LSDBC)

- **Applicable** : Borrowers with FB WC limits of **Rs.150 cr** and above from Banking system
- Minimum level of 'loan component' (**WCDL**) shall be **60 percent** of the FBWC limit. **Beyond this Cash Credit.**
- Minimum tenor of Loan component: **7 days**, max: permitted validity period of working capital limits
- Risk Weights for undrawn portion of cash credit limits – unconditionally cancellable or not attract **Credit Conversion Factor** of **20%**

## Computation of Drawing Power

- Normally creditors arising out of purchase of goods / raw materials are deducted from stock value to determine drawing limit
- In exceptional cases, based on merits thereof, drawing limit can be determined **without deducting sundry creditors for goods** subject to permission from delegated authorities.
- Sundry creditors for goods upto the levels projected / accepted while arriving at MPBF need not be deducted from stock value to determine drawing limit.
- Beyond accepted level may be deducted from stock value.
- **CGM/GM-HO-CAC and above authorities may permit.**

## TERM LOANS AND DPG/ BILLS CO-ACCEPTANCE FOR CAPITAL GOODS

Term Loans	All term loans with maturity in excess of one year
Medium Term Loans	Above one year up to 3 years
Long Term Loans	Above 3 years

While considering **infrastructure proposals**, mechanisms like

- **“Escrow”**,
- **“Creation of Debt Service Reserve Account”**,
- Monitoring cash flows through **“Trust and Retention Account”** and
- Appointment of **Lenders' Independent Engineers** etc.
- Should be explored to ensure better access and control on project cash flows which will be utilized by way of documented **waterfall mechanism in the Escrow / TRA Account.**
- ❖ **Hybrid Annuity Model (HAM)** is one of the latest mechanism under Public Private Partnership (PPP) **to implement road projects** at an increased pace of awarding and construction by National Highway Authority of India (NHAI).

## Tail Risk :

- Repayment Period of Project Loan shall be fixed in manner that loan is fully completely liquidated within a **“Tail period” of 25%** in case of **‘Non-Infra projects’** and **20% in case of ‘Infra and core industries projects’**. While Fixing the repayment schedule it shall be ensured that 75% of the cash flow towards debt repayment falls within the 75% of the total repayment period envisaged leaving a tail repayment of 25% to be serviced at the end of repayment period.

- Further, at the time of **restructuring** of the proposal, the tail period shall be **20% in case of 'Non-Infra projects'** and **15% in case of 'Infrastructure and core industries projects'**.
- Tail Period shall not to be insisted for Road Projects under **Hybrid Annuity Model (HAM)**.

#### **Reimbursement under Term Loans :**

- **May be permitted upto 25% of the term loan or the quantum of investment by the borrower whichever is lower subject to fulfilment of following conditions:**
- The borrowers shall be rated as **Low Risk/Normal Risk**
- Only for payments made towards **plant & machinery** and not land & building or other miscellaneous fixed assets.
- The reimbursement shall be **claimed within 6 months** from the date of purchase.
- Certificate from chartered accountant as to the amount spent towards creation / acquisition of fixed assets.
- Bills, Stamped Receipts, Insurance etc to be ensured.

#### **Annual Review of Term Loans:**

- **TLs sanctioned by Circle Head CAC and above authorities**
- **Annual Review.**
- Standard, Std Restructured, NPA not marked for recovery accounts eligible.
- **All Retail Loans upto Rs.5 crores exempted.**

#### **Guidelines with regard to conduct of project appraisal :**

- In respect of **New Borrower** project appraisal shall be applicable to proposed projects including infrastructure with project cost of **Rs 1000 lakh and above**.
- **Existing Borrowers** : Proposed Project : **For LR(CNR I to V)/NR(CNR VI)/BBB or better Rating : Project cost Rs.2000 lakhs and above if Borrower's dealing with us are 3 or more years, Rs1500 lakh and above for less than 3 years dealings with us.**
- **Moderate Risk CNR VII&CNR VIII/BB rating.: Project Cost 1000 lakhs and above**

- **Proposals under Commercial Real Estate : All projects** irrespective of Proposed project cost, **subject to Project Appraisal.**
- **CRE-RH upto Rs.5 crore** : Project appraisal not applicable.

**Approval of Project Appraisal Report :**

- DGM -CO (PAC/PFD at CO) .
- DGM (HO) for Appraisals of PAG, HO.

**Agricultural term loans** shall be appraised by **Agricultural Innovation Centre (AIC), HO** on standalone basis.

- For new **customers** with Project Cost above Rs.**400** lakh
- For **existing customers** with Project Cost above Rs.**750** lakh
- ❖ **Validity** of PAG/PAC/TEV/AIC Reports : 6 months. Revalidation permissible for 6 m.
- ❖ Irrespective of sanctioning authority, **Project Appraisal Cell (PAC) at Circles** shall conduct appraisal of Term Loan proposals as under :
  - **CGM/GM** headed Circles – **Project Cost upto Rs.100 Crore.**
  - **DGM** headed Circles - **Project Cost upto Rs.50 Crore.**
- ❖ Bank may utilize the services of externally empanelled TEV consultants in our Bank for appraisal of Term Loan proposals with Project Cost upto and including **Rs. 250 Crores**, which will be vetted by PAG.
- ❖ **Beyond Rs.250 crores, PAG at HO.**
- ❖ For Project cost more than Rs 250.00 Crores on a selective basis with due justifications and allotment by CO Head (upto CO power accounts) and Wing Head (in case of HO sanctions), to Empanelled TEV Consultants.

### Financial/project benchmark parameters for Term Loans:

Parameters	DER	DSCR	FACR	Repayment	Margin (% of PC)	IRR (PC 25cr&above)
Transport Operators	3:1 (4:1)	Not less than 1.50		6y (Morator.3m)		
PC UPTO 100 lacs	4:1	<=1.50	1.33 (1.20)	7y (incl. morat.10Y)	Min20%	
PC above 100 lacs	3:1 (4:1)	1.50 (1.40)	1.33 (1.20 CO) (1.25 RO)	7-10y (incl. morat.12Y)	Min20%	4% above WACOF
AGRI	3:1 (5.66:1)	1.50 (1.25)	Min.1.2	5-7 y (15y plantation)	Min 15%	4% above WACOF
INFRA	Below 5.67:1	1.50 (1.25)	1.25 (1.11)	15y (20y)	15% (11% if govt stake) HAM:10%	4% + COF (2% road projects)

(figures in brackets: relaxations in deserving cases by various authorities.)

The prescribed FACR for prescribed 9 Industries under MSME (food processing, paper products, coal products etc.) (cir 586/2024) : **1.25** (DGM-C0-CAC can accept 1.20) (for others 1.33 & 1.20)

- **Interest during Construction (IDC)** for the Project shall form part of Cost of Project; however no funding shall be provided for IDC.
- **Minimum Equity Contribution by Promoters** shall be **50% of the Overall Margin** for the Project.
- For Infrastructure Projects, minimum **Equity Contribution of Promoters** out of total margin will be basing on ECAI rating. AAA:25%; AA:30%; A:35% and for Others: 50%. In case of newly floated projects which are unrated, ECAI rating of Sponsor should be considered. For Accounts fully covered by Central/State government guarantee Minimum Equity contribution shall be 25%. Remaining share of promoters' contribution shall be in form of equity/quasi equity appropriately
- Treatment of **Quasi Equity for Term Loan of Rs. 50 Crore & above**: Maximum cap on quasi equity shall be to the extent of **100% of equity** in case of Proprietary, Partnership concerns as also Corporates/ Companies.
- If Quasi equity is withdrawn later, **1% additional interest** is to be charged.
- **For financing Stressed Sectors as identified by Bank, 100% collateral is required. (cir 587/2024)**

**Delegation of Powers while taking any fresh exposure/additional exposure under Gems & Jewellery Sector :**

- Renewal by Respective Sanctioning Authority (RSA).
- Renewal with enhancement: LR/NR (CNR-I to CNR-VI): **RSA**.
- **Moderate Risk:** (CNR-VII to CNR-VIII) : **CGM/GM-HO-CAC** and above
- **Fresh Proposals:** Upto Rs.5 Cr: For **LR, NR : CO Head CAC** and above.
- **Moderate Risk & Above 5cr incl. New Borrowers: ED-CAC & above**

- ❖ **FOR DISCOMS**, working capital shall be restricted to **25% of total Revenue** as per ABS.
- ❖ In case of **GENCO and TRANSCO**, WC is restricted to **50% of total Revenue** as per ABS.

**TAKEOVER OF BORROWAL ACCOUNTS FROM OTHER BANKS/FINANCIAL INSTITUTIONS**

If the prospective borrower clears the outstanding liability with the other bank or institution fully out of their own sources & approaches our bank for credit facilities **after 3 months (after 10 days for Retail Loans and Agricultural Loans** other than Food and Agro Proc units) **from the date of above closure**, such proposals shall be kept outside the purview of takeover norms.

**Take over Policy for Exposures upto Rs.100 cr (excl. Ag and Retail Lending)**

- Rating: **BBB and above (For MSME: BB and above)**
- Earning operating profit for 3 years
- All applicable financial parameters satisfactory.
- Previous 1 year : not restructured, not SMA-2, no down gradation of external rating. Not appeared in SMA2 during last 18 months(CRILC/CIR report)

**General guidelines of takeover:**

- The account should have been in the books of transferor bank for minimum of 1 year(**6 months for Low Risk/A and above rated borrowers**).
- In case of **Manufacturing unit**, it should be **minimum 1 year old** and should have **satisfactory repayment track record of at least 6 months & DCCO at least more than 6 months** back.
- Shifting of accounts from other banks shall **not be more than one occasion during last 5 years, gap** to last switch over shall be **minimum of 1 year (2 years for above Rs.100cr)**(exempted for account which existed with our bank earlier with good record).
- **Audited financial statements** for the **previous 3 years** shall be obtained and analysed, **verified with ROC for corporates**.

- Current Ratio: 1.33 (1.25 for turnover method).
- **For MSME, CR relaxed upto 1 (incl.1)**
- **DER** not more than **2:1 (relaxations 3:1)**. For **MSME DER 3:1**.
- **Pass sheet for 1 year (TL) or 6months (WC)** to be verified.
- For TLs if time over run or cost over run is **more than 15%, No take over**.
- Dilution of security/ reduction in margin should not occur on account of take over
- Repayment period not beyond original repayment period. For Lease Rent Discounting(**LRD**) proposals, extension with in scheme guidelines (max.180m)
- For take over with enhancement, **security coverage** in the form of Land & Building, Our own Bank Deposit, NSC, KVP, Insurance Policy **not less than 50%** of entire exposure including enhancement amount. **Vacant land not more than 50%** of the total collateral security.
- If **enhancement** is **more than 25%**, sanction by **Next Higher Authority**.
- **HO power a/c s : Same authority** irrespective of percentage of enhancement.
- If **fresh Term Loans** are proposed for expansion during take over, **Respective Sanctioning Authority** can permit.
- **Expansion and also Concessions in ROI & Service Charges** – Sanction by **Next Higher Authority** upto **CO Head CAC** and concerned Sanctioning Authority in case of HO power accounts.
- **Proposal with enhancement** : If **collateral is more than 100%** of exposure including enhancement, **at least 15%** of collateral should be in the form of **Commercial/Residential Properties**.
- **Stock Audit** to be conducted. (waiver for Secured OD limits, contractors OD Scheme)
- Waiver of Stock Audit : Upto Rs.10 cr. Provided previous bank's stock audit report **not older than 6 months** (if more than 6 months, upto Rs.3 cr waiver). Previous **3 months stock statements** to be obtained & verified.
- In case of **MSME upto Rs.1 crore**, CO head may permit waiver of Stock Audit provided **125% collateral comfort** is available.
- Sanction communication of last 3 years (1 year for Agricultural Loans) to be verified.
- Take over from Bank where any of our Whole Time Director worked earlier: Sanction by GM-HO-CAC and above.

## Policy on takeover of Retail loans

- Prior to take over, the account should have satisfactory conduct with the transferring bank for a **minimum period of 1 year**.
- **Prompt repayments atleast 6 months** during previous 1 year or minimum Risk Grade **CRG-3** (Moderate Risk)
- Not appeared in SMA-2 during last 18 months (as per CRILC/CIR report)
- Loans where **projects are not completed and not fully disbursed** shall not be taken over
- Repayment period should be restricted to the residual tenor of the loan at the transferor bank except in respect of **Lease Discounting proposals** where **extended repayment** period may be permitted (max 180 months).
- A **valid EMT** should be created by the financing branch **within 30 days** of clearance of the liability with other bank

## Fresh facilities to OTS borrowers – Minimum cooling period

- Sacrifice amount as percentage of Book Liability upto 10% : **24 months**
- Above 10% and upto 25% : **36 months**, Above 25% : **60 months**.
- Gold Loans other than Agriculture : cooling period 24 months, for Ag:3m, GL upto Rs.1 lakh.
- Written off amount up to Rs.10,000/- : ignore after 24 months cooling period.
- For Non wilful defaulters, under Ag & Allied activities – Weaker section, upto Rs.50,000/- need based finance after 3 months, if repaid atleast 10% of previous loan. After 6 months, GLs as per delegated powers for Agri.

## RESTRICTIONS FOR LENDING

- **Advances against Bank's Own Shares:** In terms of Section 20 (1) of the Banking Regulation Act, 1949, Bank cannot grant any loans and advances on the security of its own shares.
- Bank shall not provide loans to companies for **buy-back of their own shares/ securities**
- **Holding shares in companies :** In terms of **Section 19(2)** of the Banking Regulation Act, 1949, Bank shall not hold shares in any company except as provided in sub-section (1) whether as pledgee, mortgagee or absolute owner, of an amount exceeding **30 percent of the paid-up share capital of that company** or **30 percent of its own paid-up share capital and reserves**, whichever is less.

- Further, in terms of Section 19(3) of the Banking Regulation Act, 1949, Bank shall not hold shares whether as pledgee, mortgagee or absolute owner, in any company in the management of which any **Managing Director or Manager** of the Bank is in any manner concerned or interested.
- **Selective Credit Control (SCC) Commodities:** In case of advances against Levy Sugar, a minimum margin of 10% will apply.
- Bank should not grant loans/ advances against FDRs or other **Term Deposits of other banks**.
- Banks are not allowed to grant loans against **Certificate of Deposits**, unless specifically permitted by the Reserve Bank of India.
- No loans to be granted against **partly paid shares**.
- No loans to be granted to partnership/proprietorship concerns against the **primary security of shares and debentures**.
- Banks should not grant any advance **for purchase of gold** in any form
- Banks should not grant any advance against bullion/ Primary gold (specially minted **gold coins sold by banks** are not to be treated as "bullion" or "primary gold", **upto 50 gms per person** considered for gold loan)
- NO Loans against Gold Exchange Traded Funds/Gold Mutual Funds
- Bank should not grant finance for construction of buildings meant purely for Government/ Semi Government offices, including Municipal and Panchayat Offices
- Banks should not extend finance for setting up of new units consuming/ producing the **Ozone Depleting Substances (ODS)**.
- Bank cannot grant loans for acquisition of/investing in small savings instruments including **Kisan Vikas Patras**
- Bank should not extend **bridge loans** against amounts receivable from Central/State Governments by way of subsidies, refunds, reimbursements, capital contributions, etc.
- Banks are permitted to **sanction bridge loans to companies** for a period not exceeding one year against expected equity flows/issues.
- Bank shall not grant any loans/advances for subscription to **Indian Depository Receipts (IDRs)** and also against security/collateral of IDRs issued in India.

## Variations from the policy guidelines :

### Major Variations: (other than Retail Lending) :

- ❖ Eligibility norm, margin, loan quantum, security coverage, risk rating, hedging of FC exposures, Benchmark ratios, valuation, takeover norms.

### Minor: Retail Lending:

- ❖ Eligibility, loan quantum, margin, modification of documentation, repayment period, moratorium period.
- **GM-HO-CAC** may permit 2 variations in a proposal, falling upto their sanctioning powers.
- **ED-CAC** upto 4 variations (max 2 major variations)
- Beyond 4 (beyond 2 in Retail Lending), **MC of the Board**.

## CREDIT DELIVERY : Time norms for disposal of loan applications:

### Branch Sanctions:

- Loans upto 25000/- : 15 days
- Kisan Credit Card – Branch powers : 15 days
- Other Priority above Rs.25,000/- : 30 days

### MSME (From the date of receipt of complete application)

Micro, small & Medium Enterprises: Upto Rs.5.00 lakhs: **15 days**;  
above Rs.5 lacs: **30 days**

Export Credit		
i)	Sanction of fresh/ enhanced credit limits	30 days (25 days)
ii)	Renewal of existing credit limits	30 days (15 days)
iii)	Sanction of adhoc credit facilities	15 days (7 days)
(Days in brackets indicate the maximum time frame for sanction under Gold Card Scheme)		
Advances under Sole Banking, Multiple Banking Arrangement, Consortium, JLA and other than the above [(1) to (4)]		
i)	Sanction of fresh/ enhanced credit limits	30 days (30 days)
ii)	Renewal of existing credit limits	30 days (30 days)
iii)	Sanction of Adhoc credit facilities	30 days (15 days)
(Days in brackets indicate the maximum time frame for sanction of export credit limits)		

### RO/CO Sanctions (TAT from the date of receipt of completed application)

- Loans upto Rs.25,000/-, KCCS branch powers : 15 days
- Other Priority & Retail Lending above Rs.25,000/- :60days  
(Br:15+RO/CO:45)

**MSME-Mirco & Small Enterprises:**

- Upto Rs.5 lakh: 15 days, 5-25 lacs: 30 days,
- above 25 lacs: 45 days

**Medium Enterprises:**

- Upto Rs.25,000/-: 15 days,
- 25,000 to 5 lacs: 30 days,
- above 5 lacs: 45 days

<b>Export Credit</b>			
i) Sanction of fresh/ enhanced credit limits	15 days (10 days)	20 days (15 days)	45 days (25 days)
ii) Renewal of existing credit limits	15 days (5 days)	15 days (10 days)	30 days (15 days)
iii) Sanction of adhoc credit facilities	5 days (3 days)	10 days (4 days)	15 days (7 days)
(Days in brackets indicate the maximum time frame for sanction under Gold Card Scheme)			
Advances under Sole Banking, Multiple Banking Arrangement, Consortium, <b>JLA</b> and other than the above [(1) to (4)] the credit proposals shall be disposed off within the time frame as stated hereunder:			
i) Sanction of fresh/ enhanced credit limits	15 days (15 days)	30 days (30 days)	45 days (45 days)
ii) Renewal of existing credit limits	15 days (15 days)	30 days (30 days)	45 days (45 days)
iii) Sanction of Adhoc credit facilities	15 days (5 days)	15 days (10 days)	30 days (15 days)
(Days in brackets indicate the maximum time frame for sanction of export credit limits)			

**HO Sanctions:**

- Loans upto Rs.25,000/- & KCCS & Other Priority upto Rs.25,000/- : 15 days
- Loans above Rs.25,000/- Other priority : 60 days (15BR+10RO/CO+35HO)
- Retail Loans : 45 days (10+15+20)

**MSME: Micro & Small Enterprises:**

- **Upto Rs.5 lacs** : 15 days,
- 5-25:30 d,
- above 25 lacs: 45 days

**Medium Enterprises**

- Upto 25,000/-:15 days,
- 25,000 to 5 lacs: 30 days
- Above 5 lacs: 45 days

### **EXPORT CREDIT:**

- Fresh sanction : 45 days,
- Renewal 30 days,
- Adhoc : 15 days

### **Gold Card Scheme for Exporters:**

- Fresh: 25days
- Renewal 15days
- Adhoc: 7 days

### **SOLE BANKING/CONSORTIUM/JLA:**

Fresh Sanctions & Renewal : 45 days, Adhoc : 30 days.

Export Credit : Fresh, Renewal: 45 days, Adhoc: 15 day

### **GENERAL MATTERS**

#### **Commitment charges (also as per cir 22/2025)**

- **Applicability: Corporate Borrowers** with Sanctioned limits (FB, NFB or combination including Term Loans) of **Rs. 10 crore and above** from Bank.
- Commitment charges shall be levied on the **unutilised / unavailed** sanctioned working capital limits / Short Term limit for working capital purposes, including WCDL / Term loans
- If the average utilisation during the quarter is **more than 75%: No charges**
- If the average utilization during the quarter is between **50-75% : 0.50% p.a.** to be recovered on entire un utilized portion on quarterly basis.
- If the average utilization during the quarter is **less than 50%: 1.00% p.a.** on entire unutilized portion on a quarterly basis.
- In case of Peak & Non Peak limits, if utilisation <75% : 1%
- **In case of Term Loans**, the first disbursement as per the sanction does not take place within **3 months from the first scheduled draw down date**, then commitment charge for the Term loan shall be levied **from the date of execution of documentation till its first availment**, computed on the amount of **unavailed drawdown portion**.

## **PENAL CHARGES (also as per cir 22/2025)**

### **Penal Interest For delayed Payment:**

- **Priority Sector** : Above Rs.25,000 to Rs2 lacs: 1% pa.
- Above 2 lacs: 2% pa (not applicable to Govt. Sponsored schemes)
- 1% for loans through Co OP Societies, FSS, LAMPS
- For EL upto 2 lacs: Nil and Beyond Rs2 lacs: 2% pa
- Non Priority: Above Rs.5000/- : 2% pa
- TOD – 2.00% p.a. for the period beyond 15 days till the date of regularization irrespective of TOD amount

### **Delayed / non-submission of stocks / MSOD / Book Debt Statement**

- 2.00% p.a. on the entire liability of the party for the delayed period

### **QOS/HOS:**

- **Applicable for FB/NFB exposure of Rs.5 cr and above**
- **1% on the Fund based liability** for delayed/non-submission in respect of existing accounts as well as fresh sanctions for the delayed period.
- **0.25% on the NFB liability** subject to a **cap Rs.1.00 lakh** per month for parties who enjoy exclusive NFB limits.
- Where party is enjoying both FB & NFB limits, penalty shall be 1% on FB liability and 0.25% on the NFB liability as above shall be charged.

### **Drawings in excess of sanctioned limits (including expired limits) in OCC, OD accounts & KCC including WCDL**

- 2.00% p.a. on the overdrawn portion till the account is regularized

### **Drawings in excess of drawing power (including expired limits) in case of OD, OCC, KCC (including WCDL)**

- 7.00% p.a. on the overdrawn portion till the account is regularized

### **Devolved Liabilities**

- 2.00% p.a. from the date of devolvment till its regularization

### **Demand Bills: 2% pa from 8<sup>th</sup> day till realization.**

### **Usance Bills : 2% pa from due date till realization/clearance**

### **Diversion of funds**

- 5% on the entire liability from the date of such diversion till its replenishment

### **For delay in creation of EMT/ II charge : 1% pa on outstanding liability**

**Annual Financial Statement:**

- **Penal interest of 2%** on the outstanding liability (fund based) shall be collected
- If the audited financial statements are not submitted **before 31st October** every year in case accounting year ends at 31st March or
- **Within 7 months** from the date closing of annual accounts in case accounting year ending is other than 31st March or
- **Within a fortnight of adoption of accounts** of the borrower.

**Penalty for non-compliance of Bill culture norms**

- 2.00% p.a. on the liability on a quarterly basis

**Charges for handling discrepant documents received under LC : (cir 469/2024)**

- 0.25% of the bill amount with a minimum of Rs1000 and maximum of Rs.5000 per bill + GST

**Penal charges for non-submission of renewal papers before 1 month of expiry date.**

- Above Rs. **10 lakhs to Rs. 10 crores** :
  - ❖ **Flat Rs. 5000/-** up-to the due date of renewal and
  - ❖ Flat Rs. **10000/-** per month thereafter till the date of submission
- For limits beyond Rs. **10 crore** :
  - ❖ **Flat Rs. 25000/-** + GST up-to the due date of renewal and
  - ❖ Flat Rs. **50000/-** + GST per month thereafter till the date of submission.

**Penalty for non-construction of house in case of housing loan (including HL-CRE) within the time limit as permitted by the sanctioning authority.**

- 2.00% p.a. from the date of sanction till the start of construction on the outstanding liability.
- Waiver is not permissible.

**Penalty for accounts slipping to NPA**

- In case of an account turning NPA, penalty at a rate of 2.00% p.a. on the outstanding to be levied. Concessions to be reviewed.

**Penal charges for pre-payment of Credit facilities (Working Capital and Term loans)**

- **For take over by other Banks/FIs only**
- **Term Loans:** 2% of the outstanding liability.
- **Working capital facilities** : FB :2%, NFB: 0.5% of sanctioned limits.
- **All MSEs : No penalty**
- **Effective from 01.01.2026, for all WC & Term Loans of Individuals & MSEs: No pre payment charges for all FLOATING RATE LOANS & advances of Individuals other than Business purpose and for business purpose and also for MSEs.**

### Enabling mechanism for meeting payment obligations by Large Corporates to MSMEs:

- While sanctioning/renewing credit limits to their large corporate borrowers (i.e. borrowers enjoying working capital limits of **Rs.10 crore** and above from the banking system), Bank to fix **separate sub-limits**, within the overall limits, specifically for meeting **payment obligations** in respect of purchases from **MSMEs** either on cash basis or on bill basis.

### Revalidation / Cancellation of sanction:

#### The validity periods of sanctions for various facilities: (Cir 620/2023)

STCL/Corporate Loan	1 month (clean) 3 m Secured
Working Capital	3 months
Term Loan	6 months
Adhoc Credit Facility	15 days (No revalidation)
Credit facilities sanctioned under consortium lending arrangement (where our bank is a Leader or Member)	Upto 6 months
<b>Validity period of sanction of Working capital / Term loan to NBFC</b>	<b>3 months</b>

- **Revalidation by RSA** for the same period as above, only once permitted.
- **Consortium/JLA:** Where disbursement from sanctioned limit has not been availed for a period of **12 months** from the date of documentation, from our bank/any member banks in the consortium/JLA, such cases have to be taken up for revalidation of **sanction with the sanctioning authority**.
- In case of **consortium accounts**, the sanctioning authority at the time of sanction may stipulate suitable validity period of **upto 6 months** from the date of sanction taking into account the probable date of **financial closure**.
- In case of non-achievement of financial closure due to unavoidable circumstances, the sanctioning authority may permit revalidation of sanction for a period of upto **another 6 months**, after which a fresh sanction shall be obtained.

### Duration of Working capital/other operative limits:

- Maximum period/ tenability of Working Capital limits shall be fixed at **12 months** irrespective of risk rating/ category excluding Staff OD, GL OD (including all Gold Loan Working Capital variants), KCC Crop Loan

### Review & Extension of limits:

#### Other than High Risk customers :

- **6 months** and maximum of **3 months at any time**.
- At the time of second extension, all **concessions will be withdrawn**. Second extension treated as Sanction and subject to Review by Next Higher Authorities
- Pro rata processing charges to be collected.

### **Borrowers rated as High risk:**

- In exceptional cases, extension of tenability can be permitted only once and for a period not exceeding **2 months**

### **Review cum Holding On Operations:**

- The account is Standard Asset or, NPA Accounts, not “Marked for recovery
- No adverse features and irregularities are beyond the control of the borrower.
- Review cum Holding on Operations can be permitted for a **maximum period of 6 months** and for a period not exceeding **3 months at a time**.
- Sanctioning authority while permitting Holding on operations in respect of accounts considered for Rehabilitation / Restructuring shall stipulate a minimum cut back amount of 1.00 % of the realized sales for reduction of irregularity on a case-to-case basis.

### **Rejection of Credit Proposals**

- Applications for credit facilities from **SC / ST customers** shall not be rejected at branch level and such rejections shall be by the **next higher authority**. CAC/MC power accounts by MD&CEO or ED in absence of MD&CEO.
- Whenever applications for loans under **Govt. Sponsored Schemes** are rejected by the Branch Manager for valid reasons, the same has to be **recorded in a register** maintained to this effect which shall be examined by the controlling authorities during their branch visits.
- Rejection of credit proposals from **MSME** is subject to **concurrence of the next higher authority**
- Rejection of proposals for **Educational Loan** is subject to **concurrence of the next higher authority**
- Rejection of **Export Credit** proposals shall be immediately **reported to MD &CEO** through the concerned Wing at HO.
- Rejection of credit proposals by the branch level authorities shall be recorded in a register (web based **NB-139** package) maintained for this purpose, which shall be **reviewed by the controlling authorities** visiting branches.
- Branches are not empowered to reject any proposals originated through **Jansamarth Portal**. **Next Higher Authority** shall be the authority to reject the proposals received under the Jansamarth Portal

### Conversion of Limits:

- NFB limits (only **Letter of Credit** Limits and **Advance Payment Guarantee** for **purchase of raw materials**) may be converted into **Fund Based limits**.
- Similarly, FB limits may be converted into NFB limits for **purchasing stocks** only.
- Post-shipment to pre-shipment is not permitted (PC to Bills and not otherwise)
- Secured limits are not to be converted into clean limits
- One way conversion of limits from **LC to BG** for purchase of raw materials may be permitted to Beneficiary entities such as PSUs, SAIL, NSIC and Corporates externally rated AAA/AA

### Credit Exposure: Exit Policy:

- **Persisting irregularities**/defaults in payment of interest and/or instalments like overdues in the account, frequent adhoc limits, no stock/DP, etc.
- **Failure of restructuring**/ rehabilitation efforts **more than twice** in a period of **three years**
- Borrowers of Consortium/MBA/JLA - Rated as **High Risk**. Other Accounts internally rated under High Risk (CNR IX to XI)
- **Wilful defaults** by the borrower/group.
- The activity of the borrower has become **uneconomical**.
- Gross managerial weakness, Promoter's **financial indiscipline**
- **Steep down gradation in risk rating** grade (not less than two notches fall).
- **NoGo** rated proposals under CBPR Rating.

### Personal Guarantee of Directors: To be obtained -

- In case of Private Ltd companies, LLPs, Regd Partnerships, where resolution plan is envisaged
- In all loans of Rs. **5 Crore & above**, **Aadhar Number** of Applicant, Co-Applicant and Guarantor shall be obtained and updated in CBS after due verification.
- Further, for exposures exceeding **Rs. 5.00 crore CA certified** Net worth statement with **UDIN** number certifying the net worth of the Guarantors shall be invariably obtained on an annual basis.

- In respect of exposures exceeding **Rs. 5.00 crore**, Half yearly **confirmation from the Guarantors** stating that the assets declared for arriving at Networth at the time of original sanction are still intact and under his/her ownership is to be obtained
- In respect of allied/associate concerns, Promoter of the parent entity can provide/extend a guarantee **not exceeding 5 times** of his/her network

#### **UNHEDGED FOREIGN CURRENCY EXPOSURE (UFCE) OF CORPORATES**

- All clients are required to submit their UFCE on **quarterly basis to the Bank**, on self declaration basis.
- UFCE information submitted by the borrower entity should be audited and **certified by the statutory auditors** of the entity on **annual basis**.
- In case any eligible entity is not submitting the required data to our bank, an additional interest of **1% p.a.** over & above the contracted rate to be levied for the period of default.
- For computing FCE items maturing or having **cash flows over the period of next five years only may be considered**

#### **Incremental Provisioning & Capital Requirement**

- The standardized method for the borrower entity having exposure upto **Rs.50.00 Crore** from the banking system, bank would provide an incremental provisioning of **10 bps** over & above extant standard asset provisioning irrespective of the “**Potential Loss / EBID**” ratio.
- For exposures of **more than Rs.50 crores** from Banking system, incremental provisioning and capital requirement is to be calculated basing on Potential Loss/EBID percentage. (**incremental provisioning from 20 bps to 80 bps and 25% increase in risk weight if borrower’s EBID/Potential loss more than 75%**)
- **For UHFE, penal interest to be levied @0.4% on total exposure (FB+NFB) towards cost of incremental Risk Weight for AAA, AA rated borrowers.**
- For borrower entities which are **not able to provide the data** on unhedged foreign currency exposure in timely manner, would thus attract **incremental provisioning of 80 bps and a 25 percent increase in risk weight.**
- ❖ **For waiver of Hedging** by concerned delegated authorities, a **minimum hedging of 25% for LR1, LR2 (AAA) parties and minimum 50% for LR3 (AA) parties** is required.
- ❖ Where borrower is willing to offer **10% margin** / additional collateral comfort by way of deposit exclusively to take care of adverse movement in exchange.
- ❖ In all other cases, **hedging of 100% of forex exposure** shall be ensured.

## LEGAL AUDIT OF TITLE DEEDS:

- Accounts with credit exposure of **Rs.5 crores and above**, as **part of RBIA**
- After **3 years** of sanctioning or crossing of threshold limit of Rs.5 Crore.
- Subsequent legal audits shall be conducted after a gap of **3 years** from the date of first legal audit. This shall coincide with succeeding RBIA due.
- The gap between two legal audits shall be between **36 months and 54 months** depending on the risk rating of the branch in the subsequent RBIA's.

## Opening of Cash Credit/ Overdraft Facilities

- OCC/OD facility can be provided to customers who enjoy total limits of **less than 5 cr** from banking system.
- For parties enjoying **more than Rs.5 crores**, bank having at least **10% exposure** or with major share may open **OD/CC** account. Other members may open **collection accounts** and transfer balance to OD/CC periodically as agreed among member banks.
- All banks, whether lending banks or otherwise, shall **monitor all accounts** regularly, at least on a **half-yearly basis**, to monitor the total exposure and their share.

## EXTERNAL CREDIT RATING:

- ❖ ECAI rating shall be obtained from all the Borrowers who are enjoying credit exposure (FB + NFB) of **above Rs. 50 crore** from Banks/FIs, for the purpose of **Risk weighting of Exposures as well as for pricing**.
- ❖ Exempted for exposures fully secured by our Term Deposits, guaranteed by Central/State Government. By CO head upto CO power a/cs.

### a) Domestic Credit Rating Agencies:

- Credit Analysis and Research Ltd. (CARE)
- CRISIL Ratings Ltd.
- India Ratings Ltd (Formerly Fitch Ratings India Pvt Ltd. [FITCH])
- ICRA Ltd. (ICRA)
- ACUITE Ratings and Research Ltd (Erstwhile SMERA)
- INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS)
- **Brickwork Ratings India Private Limited**

(It is permitted to accept ratings issued by **M/s Brickwork Ratings India Private Limited** for the purpose of Risk Weight computation and pricing. (Restriction of Rs.250cr imposed on 10.07.2024 has been removed in 2025)

## b) International Credit Rating Agencies:

- Fitch Ratings Ltd. (FITCH)
  - Moody's Investor Services Ltd. (MOODY'S)
  - Standard & Poor Rating Agencies Ltd. (S&P)
  - The RBI has included **CareEdge Global IFSC Ltd.** as an eligible international Credit Rating Agency (CRA) for the purposes of risk weighting their claims on Non-Resident Corporates originating at International Financial Services Centre (IFSC), GIFT City, Ahmedabad.
- ❖ In respect of all ECAI rated accounts, **Credit Rating Press Release** disclosures shall invariably have our **Bank's Name**, Credit facilities and Facility Amount. Otherwise it is treated as **Unrated** and attracts risk weight of **100 percent or 150 percent** as applicable.

## Timelines for obtention of External Rating:

- In case of Greenfield projects : with in **6 months** from date of **DISBURSEMENT**.
- If party already applied for External Rating : **3 months** from date of sanction.
- In case of externally unrated borrowers, irrespective of exposure, additional interest @0.50%p.a. on Fund Based Facilities and additional commission of 0.1%p.a. on Non Fund Based Facilities is applicable (exempted for Central/State Govt accounts)

## Monitoring of Cross Default and other Financial Covenants:

- Default with one lender that **may trigger default** with another lender.
- Considered as Cross Default if it is **not cured with in 30 days**.
- To monitor **the financial discipline** among the group.
- **Monitored quarterly** through CRILC reports or CIC reports.
- The guidelines are applicable for **Listed Corporate with exposure of Rs.50.00 Crores** & above and
- Listed **MSME borrowers with exposure of Rs 1.00 Crore** and above.

## The P&L covenants (Net Sales, Net Profit Ratio, Interest coverage Ratio etc)

- for the above eligible listed companies are to **be monitored on quarterly basis**

## Balance Sheet covenants (TOL/TNW, DE Ratio, Current Ratio etc)

- To be monitored on **yearly basis** to ascertain deviation from sanctioned/ accepted levels, if any.

- **Breach in financial covenants** would be deemed to have occurred if there is a deterioration of **more than 10%** in the actual level, vis-à-vis sanction level /last review level.
- ❖ In case where the account is **taken over by other Bank/FIs, concession in ROI/Charges extended for the last one year** to be **recovered** before closure.(this condition be part of the sanction conveying letter and accepted by the Borrower)
- ❖ **As per Companies Act 2013**, No Holding company (other than Banking, Insurance) shall have **more than two layers of subsidiaries**.

#### **Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances**

- Asset classification of accounts under **CONSORTIUM** should be based on the record of recovery of the individual member banks

#### **Guidelines on Periodicity & Participation in Consortium Meetings:**

- **Where we are Leader:** For important decisions, **GM/CGM** of Circle (limits **Rs.25 crores & above**),
  - **DGM** of Circle for limits **below Rs.25 crores**.
  - Branch incharge /II line presence must.
- **If we are member bank:** Consortium to be attended by not less than **DM of Circle** and branch in charge.
- **Routine meetings:** Attendance by **Branch incharge (Scale IV/V)**. If branch headed by non executive, one **executive from Circle** along with branch in charge.
- Consortium meetings to be **conducted quarterly** and minutes to be circulated to member banks **within 3 days of meeting**.

#### **Certificates/Reports issued by Third Party entities/Professionals and submitted by borrowers – Need for independent due-diligence:**

- Certificates issued by third party entities (TPE), submitted by borrowers - the authenticity of the same shall be **independently verified** by **directly communicating** with the concerned TPE issuing the certificate.
- **Use UDIN portal** for verification of certificates issued by CAs.

## **Periodical obtention of Encumbrance Certificate in respect of properties Mortgaged to Bank :**

- **With in 36 months** from the date of creation of Mortgage and thereafter every 36 months.
- For accounts eligible for Legal Audit, not required as EC obtained as part of Legal Audit.
- Fee payable for obtention of EC: Rs.500/- plus actual fee charged by Govt. Dept.
- ❖ While permitting/**sanctioning additional exposure upto Rs. 2 crores** (including proposed exposure) to borrowers against existing mortgaged properties, Branches/Offices shall obtain **Supplementary Legal Scrutiny Report(LSR)** from a panel advocate other than the one who had originally given the LSR and ensure perfection of security/ies.

## **Guidelines on release of movable/immovable property documents on closure of loan account**

- **With in 30 days after full payment.** (release of documents & filing satisfaction of charge with relevant registry.
- If original documents lost, duplicate to be obtained & issued with in 60 days.
- If **delay beyond 30 days** by bank for release of documents and to file charge satisfaction with relevant Registry, bank to compensate to Borrower **@Rs.5000/- for each day of delay.**
- If borrower not collect with in 30 days, **safe keeping charges @500/- p.m.**
- For **GLs safe keeping charges @Rs.200/- p m** (beyond 30 days of closure)

## **KEY FACT STATEMENT**

- A statement of key facts of a loan agreement, in simple and easier to understand language, provided to the borrower in a standardised format.
- To all prospective borrowers to help them take an informed view before executing the loan contract
- To All new Retail and MSME term loans sanctioned on or after October 1, 2024
- **Annual Percentage Rate (APR)** is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility
- Validity period of at least **three working days** for loans having tenor of seven days or more, and a validity period of **one working day** for loans having tenor of less than seven days
- **Not applicable to Credit Card loans.**

## POLICY ON OFF BALANCE SHEET EXPOSURE - NON FUND BASED FACILITIES

### Bank Guarantees

- A contract to perform the promise or discharge the liability of a third person in case of his (i.e., the third person's) default.
- Bank Guarantee of **Rs. 50,000** & above shall be signed by **two authorized signatories**.
- BGs of **Rs.5 cr & above: Quarterly status report** to be submitted by borrower for PG/APG.
- **Third party deposit** : not to consider for margin. Considered for collateral security. **Accepted for margin in case of deposits in the name of Shareholder Director (in case of Companies), Partners (in case of Partnership/LLP) and Proprietor (in case of Proprietorship).**
- **BG for period beyond 10 years** & without expiry period: by CGM/GM-HO-CAC and above.
- Minimum margin requirement for bank guarantees issued **beyond 5 years** shall be **25% in the form of TDR**. (apart from tangible securities/collaterals as applicable/prescribed.(Cir 485/2022)

### Guarantees favouring other banks / FIs / other lending agencies

- Borrower well established & having satisfactory **dealings for 3 years**.
- Bank should have fund based exposure to the party to the extent of at least **10% of the amount guaranteed (5% for infrastructure projects)**
- The quantum of guarantee for the Bank as a whole is restricted to **10% of the Tier I Capital**.
- The minimum amount of each guarantee is **R s 1.00 crore**.
- The nature of guarantee is financial

### Letter of Credit

- If the seller is **not required to tender documents** of title to goods for obtaining payment under the terms of LC, such letter of credit is termed as **Clean Letter of Credit**.
- Branches/Offices shall not open LCs bearing the legend '**without recourse**' clauses
- **Status reports/OPL** should be called for in case of all parties (except Govt.) from their bankers or the empanelled service providers (as notified by Integrated Treasury Wing).

- OPL may be **waived for good record at least for 2 years** with us and internally rated as LR/NR/externally BBB atleast or beneficiary shall be a Fortune Global 500 or a Fortune India 500 company & **25% minimum margin**.
- The Bank shall issue LCs to the customers under joint signatures of its authorised officials, one of whom shall be a Manager / Senior Manager.
- **TOL:TNW** shall be restricted to a maximum of 4:1 in case of working capital finance.(Relaxation upto 6:1 for Mfg, 9:1 for Services/Trading by RSA and **beyond 6:1/9:1 by RO head upto RO head powers and RSA for CO and HO power accounts**)
- A **quarterly report** on Inland LCs, Foreign LCs and Bank Guarantees of **Rs.5 lakh and above** shall be obtained from the borrowers and shall be verified with the transactions in their operative accounts

**Standby LCs : similar to financial guarantees.** The maximum period of LC will be one year

Grant of NFB facilities to **Non-Constituent Customers**, those who do not avail any fund based facility from any bank in India : As per Bank's exposure norms, maximum exposure per borrower shall not exceed 3% of the capital funds.

**(Compiled by M.Chandra Sekhara Reddy, Retd AGM, Canara Bank)**

## CREDIT RISK MANAGEMENT POLICY (Cir 215/2025)

**Policy Framework** : Broad Policy guidelines & IRB Guidelines

**Procedure document** (Credit Risk Management Policy & Collateral Management Policy)

### POLICY FRAMEWORK:

- This policy will be approved by the **Board of Directors** through the **Risk Management Committee of the Board (RMCB) annually**.
- Inspection wing will conduct an independent assessment of effectiveness and implementation of this policy **Annually**.
- ❖ **Credit Risk: Possibility of losses** associated with **default** by counterparties to meet obligations. (**Default – when asset is classified as NPA**)
- ❖ **For Retail Loans**, If total interest and/or principal exceeds 50% of the total **retail exposure** to a particular borrower then **all the exposures** to that borrower will be considered to be in default.
  - **Expected Loss (EL)** : Average anticipated credit loss in normal course of business due to default in exposures. Normally managed by **Pricing & Provisioning**.
  - **Unexpected Loss (UL)**: Over and above expected losses. Standard deviation at a confidence level from the expected losses. Covered by keeping **Capital as cushion**.
  - **Probability of Default (PD)** : Probability that the borrower will default within a one year horizon
  - **Loss Given Default (LGD)**: Bank's economic loss upon the default of a debtor/borrower
  - **Exposure at Default (EAD)**: Gross exposure/potential gross exposure under a facility (i.e. the amount that is legally owed to the bank) at the time of default by a borrower
- ❖ **EL = PD x LGD x EAD**

### Risk Management Committee of the Board (RMCB)

- Headed by Chairman of the Bank. Comprises MD&CEO, EDs & 3 other Directors of the Bank.
- Oversee Credit Risk Management.

### Credit Risk Management Committee (CRMC)

- **Constitution**: MD&CEO, EDs, RM wing head, Heads of all credit wings. CAM, RBS & Inspection wing. Special invitees: GM of RM wing & wing head of note placing wing.
- **Monitor** implementation of CRM policy, ensure compliance with Prudential limits. **Decide delegation of powers, collaterals, pricing of loans, Provisioning etc.**
- ❖ The CGM/GM of Risk Management Wing is **Group Chief Risk Officer (GCRO)**

- ❖ The borrowers rated as **Moderate Risk and better** are termed as **investment grade** exposures. Moderate Risk is equivalent to “**BB**” by External Rating Agencies.
- ❖ No authority, other than **CAC of the Board** and above authorities, is empowered to permit credit facilities to new borrower clients rated **High Risk**.
- If the total eligible provisions are over and above the **Expected Loss(EL)** amount, the excess can be included in **Tier 2 capital** up to a maximum of **0.6% of credit risk weighted assets** subject to RBI approval.
- Where the total EL amount exceeds total eligible provisions, banks must **deduct** the difference from its **common equity**

#### **Risk Adjusted Return on Capital (RAROC) :**

- Bank shall compute RAROC for all the Corporate/MSME/Agricultural Proposals having aggregate exposure to counterparty of **above Rs.7.50 crore** from our Bank.
- **Exempted from RAROC:** Loans against our Deposits, Staff Loans, Loans under Restructuring, exposures **below Rs.7.50 crores**.
- **RM** wing shall review all RAROC proposals above Rs.100 cr.

For corporate exposures, **PDs** are required to be estimated for each borrower rating grade and **LGDs, EADs** and **Effective Maturity** are required to be estimated for each facility assigned to the borrower

- During **Transition period** (2 years as per RBI) minimum capital maintained by Bank under IRB/Standardized Approach, whichever higher. However as per Standardized approach 100% of required capital to be maintained in 1<sup>st</sup> year and 90% in 2<sup>nd</sup> year onwards, (if RBI extends beyond 2 years)
- **The Bank shall continue to measure credit risk based on the standardized approach along with IRB until RBI approval for IRB approaches is in place**

#### **PROCEDURE DOCUMENT: POLICY AND STRATEGIES**

##### **Large Borrowal Framework (LBF) : (To address Concentration Risk)**

- A borrower shall be referred to as the ‘**Specified borrower**’, if the Aggregate Sanctioned Credit Limit is more than Rs.10,000 crore.
- **Permissible Lending Limits for the Banks:** Half of incremental capital funds sourced over and above the specified limit by the borrower is permissible limit for lending by Bank, i.e. Normally permitted Lending Limit (NPLL) means 50% of incremental funds raised by the specified borrower over and above its specified limit (Rs.10,000 cr) in the succeeding financial year, in which the reference date falls.

## LARGE EXPOSURE FRAMEWORK

- To address the concentration risk

### Definition of a LARGE EXPOSURE :

- All exposures of Bank to counterparty or group of connected counterparties is equal to or above **10 percent** of the bank's **eligible capital base (T1)**

### The Large Exposure limits

- ❖ **Single Counterparty** : The sum of all the exposure values of a bank to a single counterparty must not be higher than **20 percent** of the bank's available eligible capital base (**Tier 1 capital**) .
- ❖ In exceptional cases, **Board of Banks** may allow an additional **5 percent** exposure of the bank's available eligible capital base

### Groups of Connected Counterparties (Group):

- Not be higher than **25 percent** of the bank's available eligible capital (**Tier 1 capital**) base at all times.
- **The interbank exposures**, except intra-day interbank exposures, will be subject to the large exposure limit of **25% of a bank's Tier 1 capital**

### Definition of **connected counterparties** :

- Specific relationships or dependencies such that were one of the counterparties to fail, all of the counterparties would **very likely fail**.

### Group of connected counterparties :

- **Control Relationship, Economic Interdependence.**
- If one of the counterparties to fail, all other counterparties would very likely to fail.

### Group : Definition:

- ❖ The '**commonality of management**' and '**effective control on the management**' shall be the basis for determining a group/associate concern.

### Exposures to NBFCs :

- Banks' exposures to a single NBFC (excluding gold loan companies) will be restricted to **20%** of their eligible capital base.
- Banks' exposures to a **group of connected NBFCs** or group of connected counterparties having NBFCs in the group will be restricted to **25 percent** of their Tier I Capital.
- Bank's exposure to a single NBFC, **having gold loans to the extent of 50%** or more of its total financial assets, shall be restricted to **7.5%** of Bank's capital funds. (12.5% if lending is done to Infrastructure)

**Large exposures rules for Global Systemically Important Banks (G-SIBs) and Domestic Systemically Important Banks (D-SIBs) :**

- G-SIB's exposure to another G-SIB is set at **15** percent of the eligible capital base
- A non G-SIB in India to a G-SIB in India or overseas will be **20** percent of the eligible capital base
- **D-SIBs governed by Interbank exposures (ie 25% of T1 capital)**

**Credit exposure ceiling for individual and non corporate borrowers: (Rs.in cr.)**

Sl. No.	Category of borrower	Prudential Exposure ceiling(FB+NFB)
1	Individual borrowers for personal loans for Non business purpose (Other than schematic loans)	<b>30</b>
2	Individual borrower for Business Purpose & Proprietorship Concerns	<b>75</b>
3	Single entity with constitution as Association & HUF	<b>75</b>
4	Single entity with constitution as Society & Trust	
	a) Educational Institutions & Hospitals	
	Low Risk	<b>350</b>
	Normal Risk	<b>250</b>
	Moderate Risk	<b>200</b>
	High Risk (not for fresh loans. Only for renewals)	<b>125</b>
	b) other than Educational Institutions and Hospitals	<b>100</b>
5	Partnership Concerns	<b>125</b>
6	Limited Liability Partnerships(LLPs)	<b>125</b>

**Exposure ceiling for substantial exposure:**

- ❖ Substantial exposure limit, for this purpose, is the sum total of exposures assumed in respect of those single borrowers enjoying credit facilities in excess of **10%** of capital funds.
- ❖ RBI had also indicated that the substantial exposure limit could be fixed at **600% or 800%** of the capital funds.
- ❖ **Unsecured exposure** is defined as an exposure where the realisable value of security, as assessed by the Bank / approved valuers / the RBI's inspecting officers is not more than **10% ab-initio**, of the outstanding exposure.

## LOANS AND ADVANCES AGAINST SHARES

- **To individuals** from the banking system shall not exceed the limit of **Rs.20 lakh** per individual if the securities are held in **demat form**.
- Not exceed the limit of **Rs.10 lakh for subscribing to IPOs**.
- The Bank may extend finance to employees for purchasing shares of their own companies under **ESOP** to the extent of **90%** of the purchase price of the shares or **Rs.20 lakh**, whichever is lower (not for bank employees for acquisition of their bank's shares)

### Overdraft against property to stock brokers :

- ❖ Bank may permit overdraft facility against mortgage of property with **40% margin** on the market value of the property offered as security.
- ❖ **Section 19(2) of the Banking Regulation Act, 1949**, Bank shall not hold shares in any company except as provided in sub-section (1) whether as pledgee, mortgagee or absolute owner, of an amount exceeding **30 percent** of the paid-up share capital of that company or **30 percent** of its own paid-up share capital and reserves, whichever is less
- ❖ **Section 19(3) of the Banking Regulation Act, 1949**, Bank shall not hold shares whether as pledgee, mortgagee or absolute owner, in any company in the management of which any **Managing Director or Manager of the Bank** is in any manner concerned or interested

### Ceiling in respect of exposure to other banks :

- For Public Sector Banks – as per Large Exposure Framework.
- In respect of co-operative banks, based on Gradation Matrix approach and restricted to **25%** of Regulatory Capital (Tier I + Tier II Capital) of the co-operative banks. **CRAR of the said Bank is not less than 9% for Tier 1 UCBs and not less than 12% for Tier 2 to 4 UCBs.**
- In respect of **Private Sector Banks** and non-prime foreign banks, Bank shall provide need based credit facilities, if their **TNW is Rs.1000 cr** and above as per latest ABS.
- The exposure to **Indian Joint Ventures/Wholly Owned Subsidiaries** abroad and Overseas Step down Subsidiaries of Indian Corporates will be subject to a limit of **20%** of the Bank's unimpaired capital funds

### Ceiling for lending to Near Prime and Sub Prime borrowers on the fresh Retail sanctions

- **Near Prime** : (CRG-3 or CIC score 730-681) : Maximum Ceiling is 10% of Retail loans sanctions during the year. (Trigger limit 9% for CRG; 8% for NON CRG)
- **For Sub Prime**: CRG-4 or CIC Score 300-680) : 5%. (trigger:4.5%; 4%)

## OPERATIONAL PROCESSES AND SYSTEMS :

### Pricing of credit :

Sl. No.	Category of the Borrowers	Pricing based on
1	Exposures above Rs. 50Crore	Grid Methodology
2.	Exposure above Rs.2 Crore & upto Rs. 50 Crore	Canara Internal Rating model (CIRM Model)
3.	i) Exposure above Rs.2 lakh and upto Rs.2 Crore to MSME & other sectors. ii) Exposures above <b>Rs.2.00</b> lakh and upto Rs 2.00 crore for agriculture & allied activities	Internal Rating (Small Value Model / Manual Model) Scoring Norms
4.	Retail Lending Products of the Bank	Schematic
5.	Exposure upto <b>Rs.2</b> lakh	ROI as advised by the Bank from time to time

Revision of Liquidity premium for Rupee Loans and advances - w.e.f. **01.04.2025**

>1 year to 2 years : 0.20 %  
 >2 years to 3 Year : 0.25 % and also >3 years to 5 Years : 0.25 %  
 >5years to 7 Years : 0.30 % and also >7 years to 10 Years : 0.30 %  
 >10 years : 0.45 %

- The **concession in ROI/charges**, if permitted will normally be **coterminous** with original tenability of the sanction/till first extension (**3months**)of tenability.
- Accounts where concessional ROI is permitted, if it slips to NPA, the ROI to be charged on such accounts shall be at the **Applicable Rate+2%** until the date of up gradation to Standard Asset
- On receipt of external/internal rating basing on ABS, pricing to be reviewed. If **deterioration of rating**, till review of pricing is completed, additional ROI to be charged (ranging from 0.5% to 1.5% depending on down gradation of rating)
- If **down gradation of rating by 2 or more notches**, **25% additional collateral** security shall be obtained with in 6 months of down gradation of rating. Otherwise, 1% additional interest shall be charged (in addition to above mentioned 0.5% to 1.5%)(cir 477/2024)
- In case any **externally rated account moves to unrated category**, additional interest of **1.00% to be levied** over and above the contracted rate from the date of being treated unrated till the review of pricing is completed (cir 477/2024)
- **Concession in applicable Rate of Interest on account of upgradation of External/Internal Rating of the Borrower - Concession to be given for exposures above Rs. 7.50 Crores** without waiting for regular renewal/reset. (only on up gradation of external rating)

## Canara Bank Proposal Rating – CBPR

- CBPR is the Credit scoring matrix framework.
- Applicable for **Corporate Loans**(FB+NFB), **MSME/AG-Food Processing Loans of Rs.10 cr and above**.
- Retail Lending, Restructured A/cs, Govt. Accounts exempted.
- **The scoring sheet is meant to be used as a pre sanction exercise**

### Description of Rating Grades:

CBPR1: Low Risk; (score 0 to 20)  
CBPR 2: Normal Risk; (score 20-35)  
CBPR 3: Medium Risk (score 35-55)  
CBPR 4: High Risk (score 55-70)  
CBPR 5: Very High Risk(No Go) (score above 70)

### High Risk assignment under CBPR:

- SMA-2 for past 3 months
- Interest coverage ratio less than 1
- CR less than 1 and
- no fresh infusion of capital.

### Confirmation/Approval by Executives at RM Wing, HO:

Exposure	Confirming Authority	
	Upto CBPR – 3	CBPR-4 (High Risk)
All eligible accounts irrespective of amount	DM / AGM	DGM

- ❖ CBPR for proposals **above Rs.50 crores** confirmed by Individual authority at HO, shall be placed to Next Higher Authority for Review.
- ❖ **CBPR-5 NO GO** : Once assessed by RM Wing, HO, such proposal shall be placed before CGM/GM level committee for approval/review at HO.
- ❖ **NO AUTHORITY less than the MC of the Board can permit new/ fresh exposure / enhancement for proposal rated as NoGo**
- ❖ **Applicability of ESG & Climate Risk Parameters:** Environmental, Social, Governance (ESG) & Climate Risk related parameters are introduced in CBPR Model for Corporate Borrower`s having exposure  $\geq 50$  Cr (FB + NFB) (**Weightage in Rating is : 10%**)

## RISK RATING POLICY

- Internal ratings and PDs (Probability of Default) are based on a **one year forward looking risk horizon**.
- **Review** on an **annual** basis .
- Listed Companies, High Risk borrowers: **Review Quarterly**.

## CURRENT BORROWER RATING SYSTEMS

- **CIRM applicable for rating borrowers above Rs.2.0 crore where CIRM Hybrid model is not applicable.**
- **Above Rs.2cr to 7.5cr: For MSME, Traders & Agriculture, Allied activities irrespective of turnover : CIRM Hybrid model**
- For accounts with exposures above Rs. **20 lakh and upto Rs. 2 crore :Manual Model**
- For accounts with exposures above Rs. **2 lakh and upto Rs. 20 lakh : Small Value Model**
- For accounts with exposure **up to Rs 2 lacs** and some specific exposures having pool characteristics: **Portfolio Model** . (includes Retail Lending, Agriculture, ELs, Individuals where financial statements are not required)

### Borrowers :

- ❖ **New to Business** – not availed any credit facility from any Bank/FI
- ❖ **New to Bank:** Borrower availed credit facility from other Bank/FI and approaching our Bank for first time

### Rating mapping basing on score in SMV/MM:

- Above 85 : LR III (MM1; SVM1)
- Above 70 upto 85 : NR (MM2, SVM2) :
- >60 to 70: MR1 (MM3, SVM3) ;
- >40 TO 50: HR1 (MM5, SVM5)

**Once borrower moves out from NPA, they shall be assigned High risk-III until next rating.**

### CIRM Hybrid Model :

- ❖ **For borrowers' exposure above Rs.2 cr upto Rs.7.5 Cr.** Applicable for Mfg, Trading, Services, Ag&Allied where balance sheet available.
- ❖ The risk scoring is in the range of 0 to 11 where score of '11' is low risk & score of '0' is high risk

- ❖ Borrower who has slipped into NPA will be categorized as CNR-D.
- ❖ Audited balance Sheet shall be the basis for CIRM Hybrid Rating. (Balance sheet with revenue of minimum 12 months shall only be considered for risk rating)
- ❖ Security coverage Risk weightage is 30% for existing Borrower and 35% for New Borrower.

## **CANARA INTERNAL RATING MODEL:**

### **For borrowers' exposure above Rs.2 cr – Other than under CIRM Hybrid model**

- Manufacturing Sector(Turnover of 25cr or above): Large Corporate Module
- Manufacturing Sector(Turnover of below 25cr ) : SME Module
- Traders (Turnover of 25cr or above) : Large Trader Module
- Traders (Turnover below 25cr ) : Small Trader Module
- NBFCs : NBFC Module

**In cases where Non constituent Corporates are availing retail loans from our bank, then such Corporates may be rated under CIRM, on recommendation from respective Circle Office.**

### **Confirmation/Approval of the Risk Rating shall be done by executives at RM Wing, Head Office (upto Moderate Risk)**

- ❖ Exposure upto Rs.35 cr by DM/AGM;
- ❖ >35cr to 250cr: DGM;
- ❖ >250cr: CGM/GM (High Risk: NHA)
- ❖ Initiation of CIRM: 2 TO 35cr; RMsec CO/LCB/MCB and >35cr by CRRD.RM wingHO

<b>Risk Category wise Weightages</b>	<b>: For Existing Borrowers &amp; (New Borrowers)</b>
Industry Risk	: 5% (5%)
Business & Management Risk	: 15% (20%)
Financial Risk	: 35% (40%)
Security Coverage Risk	: 30% (35%)
Conduct of Account Risk	: 15% (NA)

### **Manual Model (For rating borrowers with exposures above Rs.20 lacs, upto Rs.2 crore:**

- For Industrial/Trader/Service Provider Accounts: Risk Grade CNR-MM 1 to 8
- For New to Bank / New Project : Risk Grade CNR-MM 1 to 8

**Small Value Model** – For rating borrowers with exposures of **Rs.2 lakhs and upto Rs.20 lakhs**:

- Risk Grades CNR-SVM 1 to 8

**Facility Risk Category** has been added in the Small Value Model and Manual Model Modules.

**Facility Risk category** brings all the facility risk related parameters which are already present in the model under different risk categories

The description of the last Grade (**SVM8 /MM8**) as default grade to be renamed as **“Highly Likely to Default”** and introduce a new grade - **SVMD and MM-D** which is assigned if the **account has become NPA as on rating date** Cir 557/2023)

**Rating mapping of Risk Grades** and grades under Manual Model/Small Value Model:

CNR MM1/CNR SVM 1: Low Risk LR III

CNR MM2/CNR SVM 2 : Normal Risk

CNR MM3/CNR SVM 3 : Moderate Risk - I

CNR MM4/CNR SVM 4 : Moderate Risk – II

CNR MM5/CNR SVM 5 : High Risk – I (6:HR2; 7:HR3, 8 : Default)

### **Risk Rating Process and confirmation of Rating**

- All credit proposals are subject to credit risk assessments by a team independent of credit origination team
- For Small value and Manual Model, approval by concerned sanctioning authority **as per delegation of powers**.
- All LCBs, MCBs, Foreign Branches and Treasury : Section incharge, CRRD, RM Wing HO will verify the rating and Executive at HO RM Wing will approve basing on delegated powers as below:
  - **Upto 35cr: DM/AGM** for upto moderate risk & DGM for HR and ECAI D.
  - **Rs.35 cr to 250 cr: DGM** upto Moderate Risk, CGM/GM for HR and ECAI D.
  - **Above Rs.250 cr: CGM/GM for all.**
- MSME Sulabhs shall initiate Internal Risk Rating in LAPS for **loans of Rs.2 cr to 35 cr** : Section incharge of RM wing HO will review and confirmation by DM/AGM/DGM, RM Wing HO.
- ❖ For all accounts where exposure is **above Rs.35 cr: CIRM model**: initiation by CRRD, RM Wing, verification by section incharge of CRRD, RM wing.
  - DM/AGM of CRRD, RM wing shall recommend internal risk rating and
  - CGM/GM/DGM of RM wing, HO will approve.
- ❖ **Rs.2 cr to 35 cr: RM Sec CO will initiate at CO**
  - Section incharge, CRRD RM Wing Ho verify
  - DM/AGM/DGM/GM of RM Wing will confirm/approve.

## Mapping of the CIRM and External rating:

External Rating of AAA, AA,A	:	CIRM CNR-I to V:	Low Risk
BBB,		CNR – VI:	Normal Risk
BB,		CNR– VII, VIII:	Moderate Risk
B, C		CNR IX, X , XI :	High Risk
D		CNR-D:	Default.

**Borrower who has slipped to NPA will be categorized as CNR-D.**

### High Risk Triggers:

- Negative TNW
  - NPA with other Banks
  - Cash loss from past 3 years
  - Auditor's comment on going concern.
  - ❖ If one of the above triggers, it is HR1, Two triggers: HR2, Three/Four triggers: HR3.
- ✓ The **PD estimation** process is based on historical default experience covering a minimum period of **5 years**
  - ✓ LGD estimation process needs to be based on analysis of recoveries of historical defaults and related costs, covering a minimum period of **7 years** (for **retail loans**, it is **5 years**).

### Validity of Internal Credit Risk Rating (Annual Obligor Rating)

- The credit risk rating of a borrower shall become overdue for updation after the expiry of **15 months** from the month of confirmation of rating or **18 months** from the date of signing the balance sheet by auditors based on which credit risk rating was assigned, whichever is earlier.
- **No credit decisions after expiry.**

### Retail Risk Rating System Design

- ❖ Basing on Scorecard. Borrowers scoring **more than 70%** are considered to be **investment grade**.

### Scope of application of External Ratings

- Exposures with contractual maturity **upto 1 year** : **Short Term Ratings**
- **Beyond 1 year and OD/OCC accounts** , Overseas exposures : **Long Term Ratings**

## **FACILITY RATING (Cir 589/2024)**

- As per RBI guidelines, a qualifying Internal Ratings Based rating system must have two separate and distinct dimensions ie
  - The risk of **borrower default (Borrower Rating)** – Reflects Borrower's default – Probability of Default (PD)
  - **Transaction-specific factors (Facility Rating)** - express LGD (Loss Given Default) must reflect transaction-specific factors, such as **collateral, seniority, product type etc. – Reflects Economic Loss**
- Facility rating is useful as input tool for **loan approval and loan sanctioning but not to consider for Pricing of Exposures.**
- **Bank shall continue to carry out Facility Rating for all the eligible exposures above Rs.7.50 Crores for the purpose of Regulatory Reporting and internal Credit Risk Assessment.**
- Facility rating is applicable for **corporate exposure above 7.5 crores (FB + NFB)**
- Facility rating is to be carried on annual basis preferable along with Canara Internal Rating Model (CIRM) rating
- The Competent Authority, who is empowered to confirm CIRM Rating is also empowered to confirm Facility rating irrespective of Facility rating grade.
- Score Range and assignment of Grade in 11 grade Rating Scale in line with CIRM
- **LGD is assumed to be constant at 90% for the PD/LGD approach.**

## **CREDIT RISK MEASUREMENT UNDER STANDARDISED APPROACH OF BASEL III FRAMEWORK :**

- Claims on Domestic Sovereign (Central Govt.) State Govt., and claims on RBI, DICGC, CGSME/CGTSME/ CRGFTLIH/CGFMU : **0 percent risk weight**
- Claims guaranteed by State Govt., Claims on ECGC : **20% Risk Weight.**
- **Claims on Foreign Sovereigns:** Based on ECAI Rating . AAA/AA: 0%, A: 20%; BBB/Baa: 50%, BB to B/Ba to B: 100%, Below B: 150%, Unrated: 100%
- **Claims on Public Sector and Corporates: LONG TERM:** ECAI Rating : AAA: 20%, AA: 30%, A:50%, BBB: 100%, BB and below: 150%, Unrated: 100%
- **Claims on Bank for International Settlements (BIS), IMF and Multi lateral Development Banks:** 20% Risk Weight

**Risk Weights assigned for SHORT TERM Rating:**

- ❖ A1+ :20%, A1: 30%, A2: 50%, A3: 100%, A4 & below:150%, Unrated:100%
- ❖ **Exposures on Banks in India**, basing on **CET1+CCB ratio** : 20% if it maintains applicable CET1+CCB.
- ❖ **Claims on Unrated corporate**, AFCs and NBFC-IFCs having aggregate exposure of **more than INR 200 crore** from banking system will attract a risk weight of **150%**.
- ❖ **Claims >100 cr earlier rated** and now became **unrated: 150%**
- ❖ **Exposures to Core Investment Companies (CICs)** will continue to be risk-weighted at **100%**.

**Regulatory Retail : Risk Weight 75% (other than NPAs)**

- **Orientation Criteria:** Turnover less than **Rs.50crores** (last 3 years/ 3 years average)
- **Product Criteria** : Small business loans, ELs etc.
- **Granularity Criteria:** Aggregate exposure to one counterpart should not exceed **0.2%** of the overall regulatory retail portfolio of the Bank
- **Low value of individual exposures:** The maximum aggregate retail exposures to one counterpart should not exceed the absolute threshold limit of **Rs. 7.5 Crore**.

**Claims secured by Residential Property:**

Housing loans sanctioned on or after 16.10.2020 and upto **31.03.2023** shall be as under:

<b>LTV Ratio (%)</b>	<b>Risk Weight (%)</b>	<b>Standard Asset Provisioning (%)</b>
Less than or equal to 80	35	0.25
>80 and less than or equal to 90	50	

**Housing Loans sanctioned after 01.04.2023:**

<b>Loan Amount</b>	<b>LTV Ratio (%)</b>	<b>Risk Weight (%)</b>	<b>Standard Asset Provisioning (%)</b>
Upto Rs.30 lakhs	Upto 80%	35	0.25
	>80% to 90%	50	0.25
Rs.30 to 75 lakhs	Upto 80%	35	0.25
Above 75 lakhs	Upto 75%	50	0.25

**Claims classified as Commercial Real Estate exposure**

Category	LTV Ratio (%)	Risk Weight (%)	Standard Asset Provisioning (%)
CRE-Residential Housing (RH)	NA	75	0.75
Commercial Real Estate (CRE)	NA	100	1.00

**Non Performing Assets (NPAs)** The unsecured portion of NPA (other than residential mortgage loans) net of specific provisions:

Sl. No.	Specific Provision as % to O/s NPA	Risk Weight (%)
1	Less than 20%	150
2	Atleast 20%	100
3	Atleast 50%	50

- If **NPA is secured by Land & Building**, Plant & Machinery: 100% risk weight may apply, net of specific provisions, where provisions reach 15% of the outstanding amount.
- **Claims secured by residential property**, which are NPA will be risk weighted at 100% net of specific provisions.
- If the specific provisions of such loans are at least 20% but less than 50% of the outstanding amount, the risk weights applicable to the loan net of specific provision would be 75%.
- If the specific provision is 50% or more, the applicable risk weight will be 50%.
- Fund based and non fund based claims on **Venture Capital Funds** will attract **risk weight of 150%**.
- **Consumer Credit** including Personal Loans but excluding Credit Card Receivables has been reduced to **125%**. **Credit Card** receivables: **150%**
- **Capital Market** exposures will attract a **125% risk weight**
- Claims on rated as well as unrated Non Deposit taking systemically important NBFCs (**NBFC-ND-SI**), other than AFCs and IFCs, **regardless of the amount of claim shall be uniformly risk weighted at 100%**.
- The RBI has reduced the risk weight for microfinance loans classified as Consumer Credit from 125% back to 100%. If these loans meet Regulatory Retail Portfolio norms, risk weight will be 75%, as applicable to Regulatory Retail.
- Loans and advances to **Banks' own staff** which are fully secured by superannuation benefit and/or mortgage of flat/house will attract **20%** risk weight. Other loans and advances of bank's own staff will be eligible for inclusion under regulatory retail portfolio and will therefore attract **75% risk weight**.

- In the case of **Clearing Corporation of India Ltd. (CCIL)**, the risk weight will be **20%**

## **BASEL RECOGNIZED SECURITIES/COLLATERALS**

- ❖ Cash Margin, Bank Deposits, Gold Jewellery, NSC/KVP, Insurance Policies, State Govt Central Govt Securities, Units of Mutual Funds, Debt securities.

## **BASEL RECOGNISED GUARANTEES:**

- ❖ Guarantee by Central Govt, State Govt, Scheduled Banks, CGTMSE, ECGC, CRGFTLIH, CGFSEL, CGFMU, CGFSSD, NCGTC.

As per **CRGFTLIH scheme of NHB** (National Housing Bank), the guarantee coverage for the eligible borrowers is as follows:

- HLs to Individuals upto Rs.2 Lacs: 90% of default/sanctioned amount.
- 2 to 8 lacs: 85% of default/sanctioned loan amount (whichever less).

For **Education Loans** Guaranteed by Credit Guarantee Fund Scheme for Education Loans (**CGFSEL**) under IBA's Model Education Loan scheme upto limit of **Rs. 7.50 lacs** the risk weight will be **NIL** and **capital provisioning will not be required**.

## **COLLATERAL MANAGEMENT POLICY**

### **INSPECTION OF SECURITIES**

- Stock inspection shall be carried out **every month** at irregular intervals.(SA may modify)
- The unit / business premises wherever **Term loans** are granted shall be inspected **every quarter**.
- The RC Book / Tax paid receipts in respect of **vehicle loans** granted shall be inspected once **every year**
- ❖ For a **collateralised transaction**, the exposure amount after risk mitigation is calculated.
- ❖ The exposure amount after risk mitigation will be multiplied by the risk weight of the counterparty to obtain the **risk-weighted asset** amount for the collateralised transaction
- ❖ Banks may apply a **zero haircut** for eligible collateral where it is **National Savings Certificate, Kisan Vikas Patras, surrender value of insurance policies and banks' own deposits**.

### **STOCK AUDIT/VALUATION OF SECURITIES BY VALUERS IN BANK'S PANEL**

- In case of Low Risk & Normal Risk – **Rs.5.00 Cr and above, once in a year**
- Moderate/High Risk- **Rs.1.00 Crore** and above, once in a year.
- Sub Standard & Doubtful Assets – **Rs.1 cr** and above: Once in **2 years**.
- Doubtful Assets – **Rs.5 cr** and above: **Once in a Year**

- Stock Audit is exempted for the accounts covered under monitoring by **Agencies for Specialised Monitoring (ASM)**, (**Exposure Rs.250 cr and above**)
- Normally Stock Audit should be completed by November and Closure by rectification by December month of concerned financial year
- Closure of stock audit reports through SAS package by CO/HO (cir187/2023)
- In case of **down gradation** from LR/NR to MR, from MR to HR, valuation immediately within 3 months of down gradation. Not required if previous valuation report is less than 6 months. (same guidelines for Fixed Assets also)
- If down gradation is by 2 notches, Stock Audit with in 3 months compulsory.
- For **Take Over accounts**, Stock Audit is Pre-Release condition. Thereafter as per normal guidelines.
- If account becomes **NPA**, observe cooling period of 3 months for upgradation. If not rectified, Stock Audit with in 6 months of NPA date and with permission of CO.

The **FIXED ASSETS** of the borrower, viz., land and building, plant & machinery, etc :

- Valuation Once in **3 years**.
- All HL variants, Canara LRD, Canara Mortgage, Canara Rent, Canara Site: Valuation once in 5 years for Loan outstanding Rs.50 lakhs and above., standard assets.
- **For ELs Rs.50 lakh and above( as on previous March) valuation immediately after completion of moratorium and there after every 5 years**
- Valuation of properties(Land and Building) of **Rs.5 cr and above**: Bank shall obtain minimum **2 independent valuation reports** from 2 empanelled valuers

#### **Valuation of only the landed property without any superstructure**

- The **acquisition cost** as per registered sale deed may be considered as cost of land, if it is acquired with in preceding one year.
- If acquired beyond one year, **85% of Fair Market Value** to be considered.
- If property is acquired by way of **Gift Deed/will/settlement deed**: **Guideline rate** from Sub Registrar Office to be considered, if acquired with in 12 months.
  - Beyond 12 months, normal guidelines.
- ❖ **Movable Property**: Where the value of Plant & Machinery to be charged is **Rs.50 crore & above**, branches shall get valuation of such P&M done from **minimum two valuers** on the Bank's approved panel. Once in 3 years.

## VALUATION OF SUGAR STOCKS

- Unreleased stocks of **levy sugar**: Levy price fixed by Govt.
- **Free sugar** including buffer stocks: Average price in preceding **3 months**/ current market price which ever is lower, excluding excise duty.

## AGRICULTURAL LANDS/ PLANTATIONS

- Valuation of agricultural lands with structures (like farm house/poultry sheds) to be taken **once in 3 years**
- In case of lands without any structures, in view of dynamic status of productivity, **once in 5 years**
- AEOs and AEO Promotee Managers - Agricultural loans upto a **limit of Rs 30.00 lakh**
- Other Managers-Agricultural loans upto a **limit of Rs.20.00 lakh**
- Independent valuation reports from **2 empanelled valuers** in respect of loan accounts where the value of the property (Land & Building) is Rs **5 crore** & above.

### Additional Guidelines:

- ❖ It is suggested that minimum gap between two valuations should be **three years**.
- ❖ If carried out at frequency **lesser than 33 months** (with permission of CO and above) then value of property shall be taken at **85% of the present value** of the property (latest valuation) and valuation shall be carried out by valuer other than the valuer who had given the earlier report.
- ❖ In case the valuation report is more than one-year-old, the value of fixed assets as per valuation report is to be pro-rata **depreciated** as under:
  - Building - 5% per year
  - Plant & machinery - 15% per year
  - Vehicle - 20% per year
  - For vehicles, either Insured Declared Value or value after depreciation which ever is higher to be considered.
  - No depreciation for Land Value.
- ❖ In case of suit filed accounts, valuation as per court directions / with the permission of court.

(Compiled by M.Chandra Sekhara Reddy, Retd AGM, Canara Bank)