CREDIT POLICY (Cir 430/2022 Part-A & 664/2022)

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 the 18 percent target for agriculture, target of **10 percent of ANBC** or CEOBE whichever is higher is prescribed for **Small and Marginal Farmers** (9.5% for 2022-23 and 10% for 2023-24)

The applicable target for lending to the non-corporate farmers for FY 2022-23 will be 13.78% of ANBC or CEOBE whichever is higher.

Micro Enterprises : 7.5 percent of ANBC or CEOBE, whichever is higher

Weaker Sections : 12 percent of ANBC or CEOBE, whichever is higher (11.5% for 2022-23, 12% for 2023-24)

Agriculture - Farm credit :

- Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs): 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**. 75 lakh** against **NWRs/eNWRs** and up to Rs. **50 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.2 crore** per borrower.
- Loans up to **Rs. 75 lakh** against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months against **NWRs/eNWRs** and up to **Rs. 50 lakh** against warehouse receipts **other than NWRs/eNWRs.**

Loans up to **Rs. 5 Crore** per borrowing entity to **FPOs/FPCs** undertaking farming with assured marketing of their produce at a pre-determined price.

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.5 crore to co-operative societies** of farmers for purchase of the produce of members.
- 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 Agriclinics 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 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.1 Crore** and Turnover does not exceed **Rs.5 Crores**.
- **Small Enterprises** : Does not exceed **Rs.10 Crore** and Turnover does not exceed **Rs.50 Crores**
- **Medium Enterprises** : Does not exceed **Rs.50 Crore** and Turnover does not exceed **Rs.250 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.40 crore per borrower**.

Education: Loans to individuals for educational purposes, including vocational courses, **not exceeding Rs. 20 lakh.**

Housing:

- Loans to individuals up to **Rs. 35 lakh in metropolitan centres** (with population of ten lakh and above) and loans up to **Rs. 25 lakh in other centres** for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres should **not exceed Rs.45 lakh and Rs.30 lakh respectively**. The housing loans to banks' own employees should be excluded.
- Loans **up to Rs. 10 lakh** in metropolitan centres and **up to Rs. 6 lakh** in other centres for repairs to damaged dwelling units

- 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**

Social infrastructure

Bank loans up to a limit of **Rs. 5 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. 10 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. 30 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. 1,00,000/- per borrower** provided directly by banks to individuals and individual members of SHG/JLG, provided the individual borrower's household annual income in rural areas does not exceed **Rs.1 lakh** and for non-rural areas it does not exceed **Rs.1.6 lakh**.
- 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

Bank loans to MFIs for on-lending : Provided **not less than 75 percent** of total assets of MFI are in the nature of **"qualifying assets",** aggregate amount of loan, extended **for income generating activity**, should be **not less than 50 percent** of the total loans given by MFIs.

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.
- Loan not exceeding Rs.75,000/- in first cycle and Rs.1,25,000/- in subsequent cycles. Total indebtedness should not exceed Rs.1,25,000/-.
- 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**

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

CREDIT INFORMATION:

Credit Information Companies" for drawing of Credit Information Reports (CIRs) under Consumer and Commercial segments

(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)

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

CIBIL/CRIF/Equifax/ Experian	**Risk Grade**	**Risk Description**
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	Unsecured Loans		
(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

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.**

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

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.

- **DSCR : 1.50 (**1.25 in exceptional cases by sanctioning authority)
- **FACR: 2:1** (1.75 in exceptional cases by SA)
- **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.**
- LTV at any point of time should not be more than that accepted at the time of sanction.
- 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.

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**.
- **Direct investment in shares**, bonds, Venture Captital 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.**
- 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

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) a **CRAR of 15%.**

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**. Its **asset size is Rs 100 crore** or above.

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 **75%** of its assets in the nature of **qualifying assets.**

NBFC – Factors is 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**.

LENDING TO SOFTWARE :

The 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.
- 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. The maximum tenor of the loan granted under the scheme shall be **60 months**.

Consortium advances: As far as possible meaningful participation is ensured by taking a share of **atleast 10%** of the total Fund Based limits.

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.

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 SA. **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.
- 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 not 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.

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.

Inter Bank Participation Certificates (IBPC): Period: **91days to 180 days** (with Risk sharing) **90 days** without risk sharing.

Banks with minimum CRAR of 10% are eligible to subscribe to IBPC

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 20 per cent share of the individual loans on their books.

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.

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 inturn 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 crorres. MD: Beyond Rs.300 crores.

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

i. Audited Balance Sheet (ABS) should be available for FY (T-2) during the period April to October and

ii. 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.

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

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 as per the timelines stipulated below:

Slab/Total Exposure	LEI to be obtained on or before
Above Rs 25 Crores and less than Rs 50 Crores	30.04.2023
Above Rs 10 Crores upto Rs 25 Crores	30.04.2024
Rs. 5 Crores and above upto Rs 10 Crores	30.04.2025

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.

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 and minimum margin : **5%** or available NWC in the system whichever is higher. **CR: 1.25**

ACTIVITY	WC(FB) LIMIT
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.

Waiver of obtention of Audited Balance Sheet – For borrowers under Crop loan and other agriculture loans above **Rs.100 lakh**

Lending on the guarantee issued by other banks / FIs

- 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
- 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 (or project term loan/WC of Rs.100 Crore & above from our Bank), the bank shall stipulate a condition to the effect that cash flow of the company may also be monitored by an **approved / empanelled firm.**

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.

Putting through EMT/ Mortgage transactions

Second extension by SA for maximum 6 months. Subsequent extensions NHA (next higher authority)

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
- Credit Conversion factor for undrawn portion of cash credit limits (unconditionally cancellable or not) : **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 500 lakh and above**.

- **Existing Borrowers** : Proposed Project : **Project Cost 500 lakhs and above** for Moderate Risk/BB rating. For LR/NR/BBB or better Rating : **Project cost Rs.1000 lakhs and above**

Approval of Project Apparaisal 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.***200*** lakh
- For **existing customers** with Project Cost above Rs.***500*** lakh

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**.

Financial/project benchmark parameters

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	Not less than 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)	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)	4% + COF (2% road projects)

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

Interest coverage Ratio for specified industries/sectors: Not less than 1.67 for corporates, Not less than 1.50 for MSME sector.

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.

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.

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

- Renewal by Respective Sanctioning Authority(RSA).
- Renewal with enhancement/Fresh Proposals : LR/NR: RSA. Moderate Risk: ED-CAC and 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 from the date of above closure**, such proposals shall be kept outside the purview of takeover norms

Exposures upto Rs.100 cr (excl. Ag and Retail Lending)

- Rating: BBB and above, earning operating profit for 3 years with all applicable financial parameters satisfactory.
- Previous 1 year : not restructured, not SMA-2, no down gradation of external rating.

General guidelines of takeover:

- The account should have been in the books of transferor bank for minimum of 1 year. In case of Manufacturing unit, it should be minimum 1 year old and should have satisfactory repayment track record of atleast 6 months & DCCO atleast 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 corporates above Rs.100 cr)(exempted for account which existed with our bank earlier with good record).
- Audited financial statements for the previous 2 years shall be obtained and analysed, verified with ROC. (3 years in case of Corporates above Rs.100 cr)
- 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 seheet 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
- Stock Audit to be conducted. Waiver may be for limit upto Rs.10 cr, if existing Stock Audit report from existing bank is less than 6 months old. RSA may waive stock audit for WC limits upto Rs.3 crore.
- While proposals are taken over with enhancement, the same may be permitted if the Collateral Security available is more than 100% of the exposure (including enhancement amount) and should consist **at least 15% in the form of commercial/ residential properties.**
- **In case where the account is taken over by other Banks/FIs, concessions in ROI/ Charges extended for the last one year to be recovered before closure.**

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)
- 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.
- A valid EMT should be created by the financing branch within 30 days of clearance of the liability with other bank

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)
- 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 :

- GM-HO-CAC may permit 2 variations in a proposal, falling upto their sanctioning powers.
- ED-CAC upto 4 variations (max 2 major variations) and 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 & 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/- : 60 days (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

Export Credit			
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, **JLA** 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 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: Fresh:25d, Renewal 15d, Adhoc: 7 d

SOLE BANKING/CONSORTIUM/JLA:
Fresh Sanctions, Renewal : 45 days, Adhoc : 30 days.
(Export Credit : Fresh, Renewal: 45 days, Adhoc: 15 days)

GENERAL MATTERS

Commitment charges

- **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 portionon a 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 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 interest

QOS/HOS:

- **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.

- **1% for delay in creation of EMT/ II charge**

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.

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.

Pre-payment penalty for pre-closure of Term loan

- Prepayment penalty of **2%** shall be collected on the prepaid amount, if the loan is taken over by other Bank/FI.
- Applicable in respect of the loans availed both under fixed & floating rates of interest.
- Waived in respect of all MSE borrowers.
- Not applicable for Floating Rate Term Loans to Individual borrowers - for other than Business purposes.

Revalidation / Cancellation of sanction:

The validity periods of sanctions for various facilities:

STCL/Corporate Loan	1 month
Working Capital	3 months
Term Loan	6 months
Adhoc Credit Facility	15 days (No revalidation permitted)
Credit facilities sanctioned under consortium lending arrangement (where our bank is a Leader or Member)	Upto 6 months

- **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. 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**.

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**
- 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:

- 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.

UNHEDGED FOREIGN CURRENCY EXPOSURE (UFCE) OF CORPORATES

All clients are required to submitted their UFCE on **quarterly basis to the Bank**.

UFCE information submitted by the borrower entity should be audited and **certified by the statutory auditors** of the entity on **annual basis**.

Incremental Provisioning & Capital Requirement
The standardized method for the borrower entity having exposure upto Rs.25.00 Crore from the banking system, bank would provide an incremental provisioning of 10 bps over & above extant standard asset provisioning irrespective of the “Likely Loss / EBID” ratio.

For exposures of more than Rs.25 crores, incremental provisioning and capital requirement is to be calculated basing on Likely Loss/EBID percentage.

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.

Additional interest/service charges shall be charged on account of unhedged foreign currency exposure basing on their internal/external ratings.

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.

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 RBIAs.

Opening of Current Accounts:

- For borrowers, where the aggregate exposure of the banking system is less than **Rs. 5 Crore**:
- Branch can open current accounts without any restrictions subject to obtaining an undertaking from such customers that they (the borrowers) shall inform the branch, if and when the credit facilities availed by them from the banking system becomes **Rs. 5 Crore or more**.
- Where the aggregate exposure of the banking system is **Rs. 5 Crore or more**: Borrowers can open current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has **at least 10 per cent** of the aggregate exposure/**highest share** of the banking system to that borrower. Other lenders may open collection accounts.
- Non-lending banks are not permitted to open current/ collection accounts.

Opening of Current Accounts for borrowers not availing Cash Credit/ Overdraft Facilities from the banking system:

In case of borrowers where aggregate exposure of the banking system is Rs.50 Crore or more:

- Current accounts of such borrowers can only be opened/ maintained by the escrow managing bank. Other member banks may open collection account.
- In case of borrowers where aggregate exposure of the banking system is Rs.5 Crore or more but less than Rs.50 Crore, there is no restriction on opening of current accounts by the lending banks.
- For customers who availed credit facilities from NBFC/Co Op Banks/FIs: Bank may open current account.

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 atleast **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. 25 crore** from Banks/FIs, for the purpose of Risk weighting of Exposures as well as for pricing:

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)
- Brickwork Ratings
- INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS)

b) International Credit Rating Agencies:

- Fitch Ratings Ltd. (FITCH)
- Moody's Investor Services Ltd. (MOODY'S)
- Standard & Poor Rating Agencies Ltd. (S&P)

Timelines for obtension of External Rating:

- In case of Greenfield projects : with in 6 months from date of sanction. If party already applied for External Rating : 3 months from date of sanction.
- In case of externally unrated borrowers with exposure above Rs 25 Crores up to Rs 100 Crores, additional interest of 0.25% shall be charged over and above the applicable rate of interest. For exposures above Rs.100 crores, addl int.@0.5%. (not applicable 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 & 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** and **Balance Sheet covenants (TOL/TNW, DE Ratio, Current Ratio** etc) are to be monitored on **yearly basis** to ascertain deviation from sanctioned/ accepted levels, if any.

Breach in financial covenants would 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.

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 **with in 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.

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.
- 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
- 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 6:1 for Mfg, 9:1 for Services/Trading.)
- 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

Maximum exposure to **non-constituent borrower** shall not exceed 3% of the Bank's capital funds.

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

CREDIT RISK MANAGEMENT POLICY (Cir 430/2022 Part-B & 666/2022)

Part-1: Policy Framework : Broad Policy guidelines & IRB Guidelines

Part-2: 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 **Chief Risk Officer (GCRO**)

The borrowers rated as **Moderate Risk and better** are termed as **investment grade** exposures.

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) : For all **MSME** borrowers having exposure of Rs. **1 Crore and above** and all **Corporate borrowers** having exposure of **Rs. 25 Crores** and above, RAROC shall be computed through **SAS package** and shall be prepared along with the proposals being placed for approval.

PROCEDURE DOCUMENT:

POLICY AND STRATEGIES

Large Borrowal Framework (LBF) :

A borrower shall be referred to as the **'Specified borrower'**, if the Aggregate Sanctioned Credit Limit is more than Rs.10,000 crore.

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.

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 Interdependance

Group : 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.

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

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.

Credit exposure ceiling for individual and non corporate borrowers:

(Rupees in crore)

Sl. No.	Category of borrower	Prudential Exposure ceiling(FB+NFB)
1	Individual borrowers for personal loans for Non business purpose (Other than schematic loans)	30
2	Proprietorship Concerns	75
3	Single entity with constitution as Association & HUF	75
4	Single entity with constitution as Society & Trust	
	a) Educational Institutions & Hospitals	
	Low Risk	350
	Normal Risk	250
	Moderate Risk	200
	High Risk	125
	b) other than Educational Institutions and Hospitals	100
5	Partnership Concerns	125
6	Limited Liability Partnerships(LLPs)	125

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.

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%.**

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

OPERATIONAL PROCESSES AND SYSTEMS :

Pricing of credit

Sl. No.	**Category of the Borrowers**	**Pricing based on**
1	Exposures above Rs. 25 Crore	Grid Methodology
2.	Exposure above Rs.2 Crore & upto Rs. 25 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 **Rs.**2.00 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 **Rs.**2 lakh	ROI as advised by the Bank from time to time

- 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 **Contracted Rate+2%** until the date of upgradation to Standard Asset

Canara Bank Proposal Rating – CBPR

- CBPR is the Credit scoring matrix framework. Applicable for Corporate Loans(FB+NFB) of **Rs.50 cr and above**, **MSME/AG-Food Processing Loans** of **Rs.10 crores** 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; 2:Normal Risk; 3: Medium; 4: High; 5: Very High Risk(No Go)

Confirmation/Approval by Executives at RM Wing, HO:

Exposure	Confirming Authority	
	Upto CBPR – 3	CBPR-4 (High Risk) & CBPR-5 (NO-GO)
Upto Rs. 35 Cr.	DM / AGM	DGM
> Rs. 35 Cr. to 250 Cr.	DGM	CGM/GM
> Rs. 250 Cr.	CGM/GM	CGM/GM

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

- For borrower accounts with exposure of above Rs. **5 crore** : **Canara Internal Risk Rating Model (CIRM)**
- **Above Rs.2cr to 5cr: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)

Canara Internal Rating 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

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

CIRM Hybrid Model : For borrowers' exposure above Rs.2 cr upto Rs.5 Cr (Cir 600/2022:

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

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 will verify and Executive(DM/AGM/DGM/GM at HO RM Wing will approve basing on delegated powers.
- In case of other branches, upto Rs.35 crores, RM Section CO will initiate, HO RM Wing will verify and confirm. Above Rs.35 crore, initiation, verification and approval by RM Wing HO.
- MSME Sulabhs shall initiate Internal Risk Rating in LAPS for loans of Rs.2 cr to 35 cr. RM Section of CO will review and forward to HO RM Wing for confirmation. (Cir 518/2022)

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.

- 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**

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%, 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%

SHORT TERM: 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%.

Exposures to 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:

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

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 **100%.**
- **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%.**

- 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).

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

- Valuation Once in **3 years**.
- In respect of fixed assets (primary/ collateral), mortgaged to loan accounts (classified as standard assets) under all **Housing Loan** variants, Canara Mortgage, Canara Rent, Canara LRD & Canara Site where loan outstanding is **Rs. 50 lakhs or above**, revaluation of property has to be undertaken through the empanelled valuers once in **every five years.**
- Valuation of properties(Land and Building) of Rs.**10 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.

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 **10 crore** & above.

Additional Guidelines:

It is suggested that minimum gap between two valuations should be **three years**. If carried out at frequency **lesser than 3 year** 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.

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