



NCC Bank

नेपाल क्रेडिट एंड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.

अनुसूची- १
बैठक नं. ५३६ को निर्णय नं. १ (क) संग सम्बन्धित

Credit Procedural Manual Part - I

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Part A - Introduction

1. Loans and Advances

1.1 Introduction

The main function of the Bank is to accept the deposits and to lend the same.

Bank shall always try its level best in creating such assets, that maximizes the return, because the secret of successful banking lies in creating or achieving a proper balance between profitability and liquidity, which is achieved through proper distribution of resources in various forms of assets.

Taking into account the profitability and liquidity, the Bank invests its resources mainly in the following assets (portfolios):

- | | |
|-----------------------|--|
| 1. Liquid Assets | a) <i>Cash at Vault</i>
b) <i>Balance with other Banks</i>
c) <i>Balance with Central Bank</i> |
| 2. Semi Liquid Assets | a) <i>Money at Call</i>
b) <i>Bills Discounted</i> |
| 3. Earning Assets | a) <i>Investment</i>
b) <i>Loans and Advances</i> |

Loans and Advances is a sum of amount sanctioned to a customer by a Bank for a specific period at agreed rate of interest. The borrower or customer is required to pay back the principal and interest on maturity or on the specific period depending on the nature of the advances.

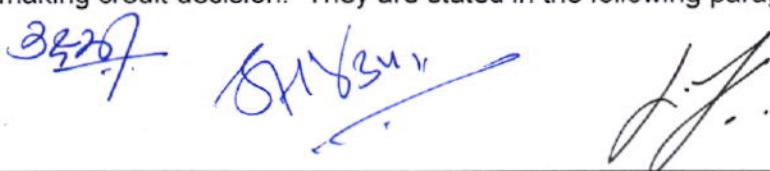
Commercial Banks provide various forms of credit (Loans and Advances) against the collateral security (movable and immovable). However, Banks may also extend credit on personal guarantees and or corporate guarantees, subject to provisions of Central Bank and other competent authority.

1.2 Principles of Good Lending

All loans and advances extended to the borrower shall be returned back after maturity as per the terms and conditions stipulated at the time of approval. A lending officer must study the ability of the borrower to repay the loan from cash flow. Cash flow is the first way out of the loan.

Enforcement of security is the second way out of lending. Borrowers may not repay the loan either they are unable to repay or they are not willing to repay. To safeguard the loan from above risk security to the loans to be obtained which must be enforceable as desired by the Bank.

There are few general principles of good lending that every bank shall have to follow, on making credit decision. They are stated in the following paragraphs:



♦ **Safety:**

'Safety First' is the most important principle of good lending. When a Banker lends, he/she must be certain that the advances granted to the customer is safe, i.e. the money will definitely come back on its due date with interest.

The Banker shall ensure that the advances is granted to the right customer and is utilized in such a way that the advances are safe all the time.

♦ **Liquidity:**

It is not enough that the advance will come back; it is also important that the advances granted to the customer must come on demand or in accordance with the agreed terms of repayment. The source of repayment must be definite.

Banker attaches liquidity clause in every Offer Letter so as to honor the Depositor's request of withdrawal because every deposit held with the Bank is repayable on demand or at short notice.

♦ **Purpose:**

The purpose should be productive so that the money remains safe, providing definite source of repayment. The Bank shall cautiously scrutinize the purpose for which the money is required, and shall ensure that the customer applies the advance granted to the particular purpose accordingly. Purpose has assumed a special importance and significance in present day banking.

♦ **Profitability:**

Like other Commercial Institutions, the objective of the Commercial Bank is to make profits. The Bank shall carefully assess the expenses that to be met in managing its resources before fixing the rate of interest on lending. It should, however, be noted that lending rates are affected by the extent of competition, inter-bank lending rate, provisions of the directives and circulars issued by the central bank, borrower's credit worthiness, nature of security, mode of charge and type and form of advances. It is also sometimes possible that a particular transaction may not appear profitable in itself, however, there may be some ancillary business available, such as borrower's sister/other concern's deposits or it's foreign exchange business and other non fund and commission based business, that may be highly remunerative.

♦ **Security:**

It has been the practice of Banks not to lend as far as possible except against the security, though the projected income from such advances is very attractive and profitable. Security is considered as an insurance or cushion to the advances. Security taken for securing advances shall always be such that it fetches the economic value all the time.

♦ **Diversification:**

In every advance, there is the element of risk however secure it might appear to be. The business of the Bank is to take calculated risk. Bank is required to assess the various risks and spread the risks involved in lending, over a large number of borrowers, over a large number of industries and over different types of securities.



◆ **National Interest:**

Even when an advance satisfies all the above principles, it might not be suitable if it does not take into account the national interest. Banks are required to grant advances on those sectors, which are priorities by the Government/Regulator on time to time in meeting the national requirements.

General Procedures in granting Loans and Advances

While granting loans and advances, following general procedures are required to be followed.

- a) **Interview the Customer** for identifying who is the Customer and what is the nature of their business. Once the customer and nature of their business is known, whether the Policy of the Bank permits in lending in such business, is required to be identified and assessed. If, there is scope of such business, as per Policy of the bank, then the applicant's request shall be further processed as below
- b) **Conduct an in-depth interview** of the applicant, Focusing on 5 Cs
 - *Character*
 - *Capacity*
 - *Capital*
 - *Collateral*
 - *Condition*
 - *Competence*
 - *Compliance*

If the interviewing officer in the bank is satisfied on above focal points, the officer shall prepare the discussion note for the loan size as circulated by the Management for internal reference. If Bank is satisfied the customers shall be asked to fill up the standard loan application form, designed by the bank and provide the required documents as mentioned in the application form itself.

- c) **Get the Loan Application filled up** and collect all the required documents. Upon receipt of all the relevant documents, the officer handling the proposal (*in consultation with the seniors if required*) to go through minutely on the information furnished by the applicant. If there is any queries, clarification on the same, shall have to be obtained from the applicant.
- d) **Pay Site visit of the applicant's business and the offered security** for mortgage and prepare the report of the same in a standard format. If the bank is satisfied with the report, the applicant's proposal shall have to be further processed.
- e) **Issue Credit Inquiry letters to CIB** (For more than Ten Lac) and other financial institutions. If positive reply is received, the applicant's request qualifies for further processing.
- f) **Issue letter to the Banks approved panel valuer taking a written undertaking** of the Applicant that the Bank does not guarantee the approval of loans/advances and will not indemnify the applicant if the approving authority declines the proposal.
- g) **Prepare Credit Appraisal Memo** in a standard format and forward it for approval along with the valuation report and other relevant documents.
- h) **If the loan is approved, forward Offer letter to the customer** mentioning all terms and conditions of the facilities offered.

- i) After offer letter is accepted by the customer execute all the charge documents as per the terms and conditions of the approved memo.
- j) Upon execution of documents, by preparing a checklist of the executed documents, Disbursement of Loan shall have to be done.
- k) Monitor the Loan from time to time so as to ensure that the loan will not be classified.

2. Types of the Advances

2.1 Advances Based on the Security:

The loans and advances granted by Banks can be broadly classified into

- Secured Advances i.e. advances with sufficient collateral
- Other Advances i.e. Granted against credit worthiness of the borrower

A secured loan/advance means an advance made against the security of tangible assets and the market value of such assets has to be more than the value of advances at all the time till the loan is repaid.

Other loan/advance is the one in which the Bank grants loan without any security of the assets. However, Personal Guarantee of the Borrower/promoters and directors of the Company and Corporate Guarantee of the Borrower's related concerns shall be taken while granting other advances. Other advances are granted to the borrower having proven record of credit worthiness.

2.2 Advances Based on the Involvement of Fund/Commitment:

The loans and advances granted by the bank can be broadly classified in to two categories based on the involvement of the fund

- Fund Based
- Non-fund Based

When bank parts with funds, the advances are called fund based advances, as it involves direct lending of funds.

There are some such advances, which do not involve the fund in their grant, are called non-fund based advances. In these types of advances, banks only make commitment that in case the borrower defaults, the banks will make reimbursement as per the terms of the contract. Then it becomes funded loan on account of the applicant.

2.3 Advances Based on the Nature of the Credit

2.3.1 Overdraft:

Overdraft facility is the form of short-term credit, meant for meeting the working capital requirement of the borrower. It is the credit facility that allows the Current Account Holder of the Bank to draw more than their credit balance in the account, within the approved limit. The Bank allows overdrawning of current account within the limit for a certain period of time. After the expiry of such period, the limit may be either called up or is renewed, depending on the performance of such account.

The salient features of Overdraft Loans are:

1. Overdraft facility is allowed in customer's Current Accounts only.

2. As many drawings and repayments are permitted, as the customer would desire, provided the drawer at any time does not exceed the agreed limit.
3. Overdraft facility is usually granted for a period of one year, and is subject to renewal upon satisfactory performance.
4. Interest is calculated on outstanding debit balance, on daily basis.
5. The disclaimer note signed by the owner of the godown shall be furnished to the Bank by the Borrower.

The security for an overdraft account may be personal or tangible. The tangible security may be in the form of shares, bonds, life insurance policies, fixed deposit receipt, landed property, stocks and its insurance policies, etc. as per the policy of the bank.

The overdraft facility shall be disbursed by executing following charge documents, upon approval of the overdraft loan.

1. *Loan Deed*
2. *Mortgage Deed*
3. *Demand Promissory Note*
4. *Letter of Guarantee to be signed by the Guarantor*
5. *Letter of Continuity*
6. *Insurance Policy for the mortgaged property and hypothecated stocks with Banker's clause.*
7. *Cross Guarantee*
8. *Personal/Corporate Guarantee*
9. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*

In case of limited liability Company, a board resolution allowing an authorized officer to execute the above documents shall have to be taken along with Memorandum of Association and Article of Association. Personal Guarantee of all the Board of Directors representing the Promoter Group, if possible, shall have to be taken.

Procedure:

Disbursement is made inserting approved limit (Debit limit) in the current account of the customer. Expiry date, interest rate and other relevant parameters are required to be modified in computer system, based on the approval.

2.3.2 Cash Credit

A Cash Credit is essentially a drawing account against credit granted by the Bank and is operated in the same way as in Overdraft Account. Under this Credit, Bank permits its customers to borrow money up to fixed (Approved) limit and allow borrowers to make as many as withdrawals and deposits till the validity of such credit within the approved limit. Thus the principle advantages of cash credit account to a borrower are that, unlike the customer, borrowing on a fixed loan basis, they may operate the account within the stipulated limit as and when required and can save interest by reducing the debit balance whenever the borrower is in a position to do so. Cash Credit is allowed against the security of tangible assets like hypothecation of stocks, plant and machinery and its insurance policy with Banker's clause, book debts/receivable and other current assets etc.

The salient features of Cash Credit are: -

1. A Borrower is required to open a Cash Credit account with the Bank.

2. Bank issues a separate cheque for Cash Credit account so as to allow withdrawal in the account.
3. As many drawings and repayments are permitted, as the customer would desire, provided the drawer at any time does not exceed the agreed limit.
4. Cash Credit facility is usually granted for a period of one year, and is subject to renewal upon satisfactory performance.
5. Interest is calculated on outstanding debit balance on daily basis.
6. The disclaimer note signed by the owner of the godown shall be furnished to the Bank by the Borrower.

Cash Credit facility, like overdraft is granted to the borrower to meet working capital requirement of the business. Cash Credit facility shall be fully secured by current assets with specified margin and additional landed security shall be taken as per the policy of the Bank.

The following points shall have to be taken into account while providing Cash Credit facilities:

- a) Hypothecated goods shall be such that they can be sold out at short notice.
- b) Hypothecated goods shall not be subjected to quick deterioration due to its storage.
- c) The borrower must have title deed right to the goods. An undertaking to this effect shall be obtained from the borrower.
- d) The hypothecated goods shall not have been hypothecated to other financial institution or are encumbered.
- e) The hypothecated goods shall be insured against all possible risk and shall contain the Bankers Clause. With respect to this, the Receipt of Payment of Insurance Premium must be taken into custody.
- f) The hypothecated goods shall be periodically inspected as to quality, quantity and condition.
- g) The borrower shall submit a disclaim notice signed by the owner of the building where the hypothecated goods are stored /displayed etc.
- h) The Bank shall obtain a periodic stock statement duly signed by the borrower as per agreed terms and conditions with a declaration regarding their clean title to the goods and the correctness to the quality, quantity and valuation thereof.
- i) Bank shall obtain list of receivables periodically along with stock statements on age-wise basis signed and stamped by the borrower. Assignment/hypothecation of receivables must be ensured at least to the tune of CC limit.
- j) The drawing powers of the borrower shall be fixed and regulated as per the Policy of the Bank.
- k) The borrower shall required to affix the Banks Name Board that the "goods are Hypothecated to Nepal Credit and Commerce Bank Limited).
- l) In case of rented or leased godowns Letter of Disclaimer must be obtained from the owner/ lessor.

Procedure:

Disbursement is made inserting approved limit (Debit limit) in the Cash Credit account of the customer. A separate Cash Credit Account with suffix CC after basic number of the customers shall required to be opened blocking customers checking account. Bank issues separate cheque for operation of this account i.e. cash credit account.

The Cash Credit limit shall be inserted in the Computer System upon execution of the full set of legal documents as below:

1. *Demand Promissory Note*
2. *Loan Deed*
3. *Mortgage Deed*
4. *Authorization Deed if any*
5. *Letter of Hypothecation/assignment*
6. *Disclaim Notice signed by the owner of the godown.*
7. *Letter of Arrangement*
8. *Letter of Guarantee*
9. *Letter of Continuity*
10. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*
12. *Insurance Policy for the mortgaged property and hypothecated goods with Banker's clause.*

2.3.3 Demand Loan (Short Term Loan)

It is an advance granted to the Borrower to meet the borrower's fixed working capital requirement, is repayable on periodic installment repayment basis or on lump-sum repayment basis. Demand Loan once granted will have a debit for the quantum or limit sanctioned and interest and thereafter credits for repayment.

The Salient features of Demand Loan are:.

1. *Borrower's current account is credited by debiting the Demand Loan A/C with the whole limit under Demand Loan. A separate Demand Loan is opened for disbursement.*
2. *Borrower is required to pay the interest on the full amount irrespective of it is used or not.*
3. *Demand Loan upon satisfactory performance is subjected to review and renew.*
4. *Demand Loan once repaid in full or in part cannot be withdrawn again by the borrower in general.*
5. *The disclaimer note signed by the owner of the godown shall be furnished to the Bank by the Borrower.*

The security for Demand Loan may be personal or tangible. The tangible security may be in the form of shares, bonds, life insurance policies, fixed deposit receipt, landed property, stocks and its insurance policies etc as per the policy of the Bank.

Procedure:

A separate loan account in the name of the borrower shall have to be opened under demand loan giving suffix DL after basic account number of the customer. Limit as approved should be fixed in the loan account. Interest rate, expiry date and other applicable parameters shall be properly inserted and checked as approved in the computer system.

Loan is required to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Demand Loan shall be made upon execution of full set of Legal Documents as below:

1. *Demand Promissory Note*
2. *Loan Deed*
3. *Mortgage Deed*
4. *Authorization Deed if any*
5. *Letter of Hypothecation*
6. *Disclaim Notice signed by the owner of the godown.*
7. *Letter of Arrangement*
8. *Letter of Guarantee*
9. *Letter of Continuity*
10. *Letter of Disbursement*
11. *Insurance Policy for the mortgaged property and hypothecated goods with Banker's clause.*
12. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*

2.3.4 Bridge Gap Loan

Bridge Gap Loan is a form of Short Term advances meant for meeting immediate requirement of funds for a Project. It is basically a loan meant for bridging the fund. Such loan is allowed upon commencement of the Project but before finalization/disbursement of the long-term loan by a financial institution or a group of financial institution. Finalization/disbursement of long-term loan requires completion of all formalities, documentation and compliance with terms of approval by the borrower. Upon disbursement of the long-term loans by the financial institution/s, the bridge gap loan is settled through the subject term loan proceeds. It is not revolving in nature.

The Salient Features of Bridge Gap Loan are: -

1. *By debiting the Bridge Gap Loan account of the Borrower, it is disbursed to Borrower's current account.*
2. *Borrower is required to pay the interest on the full amount disbursed.*
3. *Borrower is not allowed to withdraw once the loan is repaid in part or full.*

Procedure:

A separate loan account in the name of the borrower shall have to be opened under bridge loan giving suffix BG after basic account number of the customer. Limit as approved should be fixed in the loan account. Interest rate, expiry date and other parameters shall require be properly modifying and checking before effecting transaction.

Loan is also required to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Bridge Gap Loan shall be made upon execution of full set of Legal Documents as below:

1. *Demand Promissory Note*
2. *Loan Deed*
3. *Guarantee Bond*
4. *Letter of Arrangement*
5. *Letter of Continuity*
6. *Mortgage Deed if any*
7. *Letter of disbursement*
8. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*

The security for Bridge Loan may be personal or tangible. The tangible security may be in the form of Shares, Debentures, Fixed Deposit Receipt, Insurance Policy, Work Orders, stocks and A/C receivables and its Insurance Policies with Banker's Clause as per the Policy of the bank.

2.3.5 Pledge Loan

Pledge is the bailment of goods as security for payment of a debt or performance of a promise. Bailment is the delivery of goods by one person to another for some purpose, under a contract that the goods shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them. The person delivering the goods (Bailer) as security is called the Pledgee or Pawnee.

A pledge may be in respect of goods, stocks and shares, documents of title to goods and any other movable property.

A pledge is said to be created when the goods are handed over by the Borrower to the lender or to someone on his behalf, with the intention of their being created as security for the repayment of the advance. Legal delivery is an essential part of a contract of pledge. Thus, Bank as a lender reserves the possession of the goods and the borrower can take out the pledged goods from godown upon exclusive permission of the Bank.

Pledge Loan like Demand Loan, once granted will have a debit for a sanctioned limit, is not a running account. Therefore, there will be debit for disbursement and interest and credit for repayment. Once repayment is made, no withdrawal is allowed to the Borrower.

The Salient features of Pledge Loan are: -

1. *By debiting the Pledge Loan account (opened by the Bank itself) of the borrower, the proceeds of loan within the sanctioned limit are disbursed to the Borrower's current account maintained in the Bank.*
2. *In case of constructive delivery of goods, the security and custody responsibility remains with the Borrower. However in case of actual delivery, the whole responsibility lies with the Bank.*
3. *The borrower on part repayment of debt under Pledge with interest has a right to redeem the security in part. In case full repayment of loan is done with interest, the Bank releases or redeems whole pledged security.*
4. *The cost of discharging the responsibility of security and custody in most of the cases remains with the borrower.*
5. *The tenure of the Pledge loan is subject to the nature of the goods pledged and its demand and scope in the market.*

6. *The borrower is required to pay the Bank the deficit amount in case the market price of the goods pledged to the Bank falls down, so as to allow Bank to maintain its margin of the safety.*
7. *The borrower is required to pay the interest on whole amount of loan until it is repaid.*

The following points must be taken into account in allowing advances against the pledge of goods.

- An undertaking from the borrower regarding the clear title to the goods should be obtained.
- The Banker should ensure that the borrower has not created any charge against the goods offered for pledge with another Bank.
- The goods, which are pledged, should be such that they can be easily sold out.
- The prices of pledged goods shall not be subjected to frequent change.
- The pledged goods shall not be subjected to deteriorate due to its storage and handling.
- The value of the pledged goods shall be vetted by the market price/value.
- The pledged goods are required to be ensured against all possible risk (major being theft, fire, earthquake, terrorism, riots etc.) and the receipt of payment of insurance is required.
- The Bank shall be required to affix the Bank's name board in the godown where the pledged goods are stored to deviate the possibility of the same goods being pledged to other Banks.
- The pledged goods are required to be periodically inspected. Any remarks or observation shall be noted in a Register. Serious remarks shall have to be intimated to the higher authority.
- The disclaimer note signed by the owner of the godown shall be furnished to the Bank by the Borrower.
- The branch shall ensure all the time that there is adequate coverage to the advance against the pledge from the value of the pledged goods.
- The bank shall be required to have absolute possession on the pledged goods by means of lock and key under its control.

Upon receipt of an application from the borrower to release the pledged goods, the bank shall issue a delivery order duly signed by two authorized officers out of which one shall be the Branch Manager/In-charge of the Credit Department. Before issuing a Delivery Order to the Borrower, following points shall be taken into considered.

1. The application is signed by an authorized person of the applicant.
2. The borrower has made adequate payment for releasing the pledged goods.

3. The branch shall obtain acknowledgement for the receipt of the goods delivered.

Procedure:

A separate loan account in the name of the borrower shall have to be opened under the pledge loan giving suffix PL after basic account number of the customer. Limit as approved should be fixed in the loan account. Interest rate, expiry date and other parameters should be properly modified and checked in adherence with the approval, in the computer system before effecting any transaction.

Loan should also required to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Pledge Loan shall be made upon execution of all security documentations which are as follows:

1. *Demand Promissory Note*
2. *Loan Deed*
3. *Guarantee Bond*
4. *Letter of Hypothecation*
5. *Letter of Disbursement*
6. *Insurance Policy along with receipt of payment of premium*
7. *Pledge Deed*
8. *Disclaimer letter singed by the owner of the godown.*
9. *Mortgage Deed if any.*
10. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*
11. *Insurance Policy for the mortgaged property and hypothecated goods with Banker's clause.*

The security for Pledge Loan is generally goods proposed for pledge. However, additional security in the form of landed security, Shares, Debentures, Fixed Deposit Receipt, Insurance Policy, Work Orders, Stocks and Its Insurance Policies with Banker's Clauses may also be taken for additional comfort.

2.3.6 Hire Purchase Loan

Hire Purchase is a mode of Financing Price of the product to be received in future date. Under Hire Purchase goods are let on hire and prices are paid on instalments over the period. It is a credit facility introduced to finance the consumer durables like motor vehicles, contractor equipments, other machineries and equipments etc. This type of credit facility is meant for those who find it hard to save up the market price of the products in advance.

In a Hire Purchase agreement, the owner of the article (the lender) of consumer durables gives it on hire to a customer, for a fixed term under following Principle conditions.

1. Goods stand in the name of the Bank and hirer poses it.
2. The hirer (Borrower) will pay the hiree (the owner, i.e. Bank) the hire money agreed between them, on installments over a period of time.

3. Upon repayment of entire hire money by the hirer to the hiree, the title of the assets purchased under hire purchase agreement is transferred from hiree to the hirer.
4. Failure of the hirer to pay the hire money as agreed or an infringement of terms and conditions of hire purchase agreement will create an unrestricted and undisputed right to take over the possession of the assets given on hire.
5. The hirer will not transfer charge or deal with the assets in any way to the prejudice of the right of the owner till the agreed hire money has been paid in full and the ownership of the vehicle is transferred to the hirer.

The Salient features of Hire Purchase Loan are: -

1. *The whole amount of approved hire purchase loan is debited, once the limit for hire purchase loan is fixed in the Borrower's hire purchase account, for making the payment directly to the supplier of the items financed under hire purchase scheme. In case the bank has financed, the imported goods under letter of credit, on release of import documents, the liability under the import letter of credit is booked under hire purchase loan.*
2. *Hire purchase loan shall be allowed for a period not exceeding five years. However, it may long more depending on the cost and economic life of the articles.*
3. *The title deed of the article financed by the bank shall remain with the bank by way of registration of the ownership in the name of the Bank until the full and final repayment of the hire purchase loan is made along with interests and charges if any.*
4. *The repayment of the hire purchase loan shall commence from the subsequent month end from the date of disbursement. If in case moratorium period is provided installments to commence from the subsequent month end after completion of moratorium period.*
5. *The repayment of hire purchase loan shall be made on equal monthly/quarterly installment basis. Repayment of installments may be made either on monthly or quarterly basis.*
6. *Insurance policy of the article under hire purchase scheme shall be in the name of the bank and it shall be kept valid till the loan is fully repaid by the borrower. The cost of insurance shall be born by the borrower itself. Incase the borrower fails to keep validate the insurance policy, the bank by debiting the borrower's account shall renew the insurance policy. The debit advice shall be issued to the borrower along with photo copy of premium paid receipt.*
7. *The borrower cannot draw hire purchase loan once repaid in full or part.*
8. *Interest is calculated daily on diminishing debit balance.*

Procedure:

A separate loan account in the name of the borrower shall have to be opened under the hire purchase loan giving suffix HP after basic account number of the customer. Limit as approved should be fixed in the loan account. Interest rate, expiry date and other applicable parameters should be modified and checked properly in accordance with the approved terms in the computer system.

Loan should also required to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Hire Purchase Loan shall be made upon execution of all security documentations as below:

1. *Registration of ownership of the goods under Hire Purchase Loan in the name of the Bank (where applicable).*
2. *Insurance policy of the goods under Hire Purchase Loan & properties mortgaged, covering all risk in favour of the Bank.*
3. *Demand Promissory Note*
4. *Loan Deed*
5. *Letter of Guarantee*
6. *Letter of Continuity*
7. *Letter of Disbursement*
8. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*

The security for Hire Purchase Loan shall be basically the goods under Hire Purchase Loan. However, the additional security in the form of Landed Properties, Shares, Debentures, Fixed Deposit Receipt, Insurance Policy, Work Orders, stocks and its Insurance Policies, etc. with Banker's Clause as per the policy of the Bank may be taken for additional comfort depending upon the nature of the risk.

Note: - A separate Product Paper has also been designed for handy guidelines in this regard.

2.3.7 Housing loan (Home loan)

Housing Loan is granted for construction of house, purchase of house, purchase of land, extension of the house, repair and maintenance of the house for those individuals or group of individuals who are having established base of regular and stable income and is/are 65 years of age at maximum. If housing loan is allowed to construct/extend building, reasonable moratorium period to pay the installment may be allowed, however, the borrower has to service interest during the moratorium period.

Housing loan, by nature is granted for relatively longer period, and are usually repayable on monthly installment basis. Though housing loan is granted for longer period.

The Salient features of Housing Loan are: -

- a. *Approved limit of housing loan is fixed on party's housing loan account.*
- b. *Disbursement of housing loan is made to the party's checking account as per the disbursement schedule as mentioned in the offer letter, upon inspection and receipt of Bill of Quantities.*
- c. *Incase of purchase of building, disbursement shall be made directly to the vendor through pay order, after mortgage of the property in favor of the bank upon transfer of title deed in favor of the borrower by the vendor.*
- d. *The party is required to repay the principal of housing loan on installment basis as per the agreed repayment schedule.*
- e. *The rate of interest shall be as fixed by the bank and as approved by the management from time to time.*
- f. *Interest is calculated on a debit balance on a daily basis, under diminishing balance method.*

- g. Housing loan is terminating limit and once repaid cannot be re-drawn and are not on a revolving basis.

Normally, housing loans are secured by way of mortgage of the house property financed by the bank. However, the bank may mortgage alternate property incase the subject property under finance could not be mortgaged due to the policy of the bank and the distress value of the same could not cover the approved loan as per the Credit Policy Guidelines or any guidelines issued by the bank.

Procedure:

A separate loan account in the name of the borrower shall have to be opened under housing loan giving suffix HL after basic account number of the customer. Limit as approved should be fixed in the loan account. Interest rate, expiry date and other applicable parameters should be modified and checked properly in accordance with the approved terms in the computer system.

Loan should be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Housing Loan shall be made upon execution of all security documentations which are as below:

1. *Loan Deed*
2. *Mortgage Deed*
3. *Personal Guarantee Bond*
4. *Letter of Installment*
5. *Letter of Disbursement*
6. *Demand Promissory Note (Single, Jointly and Severally as the case may be)*
7. *Insurance Policy issued by insurance company of repute favoring the bank, covering all the relevant risk. Receipt of payment of premium is the must.*
8. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall be witnessed by two witnesses.*

Note: - A separate Product Paper has also been designed for handy guidelines in this regard.

2.3.8 Personal Loan

Personal Loan is granted to the individual or group of individuals for meeting immediate cash requirement to observe social functions and rituals and personal cash management of the borrower. Such loan is allowed to those who have established base of regular cash flows.

Personal Loan, by nature is granted for short period and are repayable in lump sum or on installment basis. Personal loan are not usually avail of on revolving basis but it may be allowed as revolving credit as well.

The Salient features of Personal Loan are: -

1. *Approved limit of Personal Loan is fixed on party's personal loan account.*

2. Disbursement of personal loan is made to the party's checking account as per the disbursement schedule, if any.
3. The party is required to repay the principal of personal loan on installment basis as per the agreed repayment schedule if the loan is approved on installment basis.
4. The rate of interest shall be as fixed by the bank and as approved by the management from time to time.
5. Interest is calculated and charged on the outstanding debit balance, under diminishing balance method.
6. If Personal loan is approved on terminating basis amount once repaid cannot be re-drawn.

Incase of Personal overdraft, the above features will not be applicable. Features under overdraft loan shall be applicable which is mentioned in overdraft loan in pre-page.

Normally, personal loans are to be secured by way of mortgage of the landed property, and against the lien or title deed right over other forms of securities, those are easily disposable covering the outstanding loan of the borrower, as per the Policy or any guidelines issued by the bank.

Procedure:

If personal loan is allowed as fixed loan like term loan, a separate loan account in the name of the borrower shall have to be opened under personal loan giving suffix PL after basic account number of the customer. If it is allowed as overdraft loan, the limit is fixed in borrower's current account and the borrower is allowed to draw,

deposit and re-draw the amount within the approved Limit. In both the cases, Interest rate, expiry date and other applicable parameters should be modified and checked properly in accordance with the approved terms in the computer system.

If personal loan is allowed as fixed loan like term loan, it should also required to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Personal Loan shall be made upon execution of full set of Legal Documents as below:

1. *Loan Deed*
2. *Mortgage Deed*
3. *Personal Guarantee Bond*
4. *Letter of Installment, wherever applicable*
5. *Letter of Disbursement, wherever applicable*
6. *Demand Promissory Note (Single, Jointly and Severally as the case may be)*
7. *Insurance Policy issued by insurance company of repute favoring the bank, covering all the relevant risk. Receipt of payment of premium is the most.*
8. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*

2.3.9 Term Loan

Term Loan is granted for financing Capital/Fixed Expenses of the project, on going (expansion of the existing project) and up coming projects (New projects). If the term loan is approved as a part of the project finance, the bank, normally based on the certified report of the project under construction, disburses the whole amount of the term loan on phase basis within the approved limit of the term loan. In case, the Term Loan is provided for purchase/import of plant, machinery, furniture, equipments etc., the bank

may disburse the whole amount of the approved term loan in the borrower's checking account. In both the cases the bank as far as possible makes payment directly to the exporters or suppliers by debiting the party's term loan account.

Term loan, by nature is granted for relatively longer period, and are repayable on installment basis. Term Loans are provided for a certain period and shall be repaid in installments.

The Salient features of Term Loan are: -

1. Approved limit of term loan is created on party's term loan account.
2. Disbursement of term loan is made to the party's checking account as per the disbursement clause of the offer letter/approval term.
3. If the term loan is a part of project loan, reasonable moratorium period may be granted; during this period interest portions may be capitalized.
4. The party is required to repay the term loan on installment basis as per the agreed repayment schedule.
5. The rate of interest shall be as fixed by the bank and as approved by the management from time to time.
6. Interest is calculated and charged on the debit balance, under diminishing balance method.
7. If the term loan is a part of project loan, upon receipt of request to disburse the term loan under approved limit of term loan, bank's authorized persons are required to carry out pre-disbursement inspection of the project.
8. Term loan is terminating limit and once repaid cannot be re-drawn and are not on a revolving basis.

Normally, term loans are secured by way of hypothecation, mortgage or registration of the assets that are financed by the Bank. However, the Bank shall also try to obtain the mortgage of the personal property of the promoters of the project so as to make them more accountable and responsible towards the project.

Procedure:

A separate loan account in the name of the borrower shall have to be opened under term loan giving suffix TL after basic account number of the customer. Limit as approved should be fixed in the loan account. Interest rate, expiry date and other applicable parameters should be modified and checked properly in accordance with the approved terms in the computer system.

Loan should be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Disbursement of Term Loan shall be made upon execution of all security documentations as below:

1. *Loan Deed*
2. *Mortgage Deed*
3. *Title Deed if applicable*
4. *Letter of Hypothecation*
5. *Personal Guarantee Bond*
6. *Letter of Installment*
7. *Letter of Disbursement*
8. *Demand Promissory Note (Single, Jointly and Severally as the case may be)*
9. *Insurance Policy for the mortgaged property and hypothecated goods with Banker's clause.*

10. All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.

2.3.10 Consortium Loan:

Consortium or participating or syndicated finance is of a recent origin in bank lending. Extension of credit limits to a borrower on syndicate basis occurs when two or more than two financial institutions jointly participate in financing. The participation of banks enables them to apply uniform standard, similar terms and conditions and exchange of information with regard to the credit proposal.

There can be different types of consortia, such as,

- Two or more than two financial institutions join in financing current assets/ working capital.
- Two or more than two financial institutions join in financing fixed assets.
- Two or more than two financial institutions join in financing working capital and fixed assets.

Under the consortium agreement, the participating Banks acquire common interest and share the advance and securities on predetermined proportions.

Need for consortium Finance:

In case of big projects requiring heavy capital investment, single financial institution may not be willing to take all the risk, instead they may join with other financial institutions to share the risk. Further due to a provision of Single Obligor Limit (SOL) of Nepal Rastra Bank, financial institutions can not finance up to the requirement of the borrower. Financial institutions may also have limited resources and hence they may not be able to finance in the big projects individually.

Modus Operandi:

Every consortium will have a leader or lead bank or the manager. The leader is the contact point for all the member financial institutions involved in consortium financing as well as the borrower. The party submits the proposal for credit facilities to the lead bank under advice to the participating financial institutions. The processing of credit proposal is done simultaneously by all the financial institutions and the lead bank calls the meeting to discuss the proposal. In the meeting, any issues relating to the proposal are clarified by the lead bank and the borrower.

The decision on the quantum of advances, terms and conditions and the share of each Bank is decided in the consortium meeting. Accordingly minutes are prepared and are duly signed by all the participants, endorsing the decisions. Authenticated minutes of such meeting are circulated by the lead bank to all the participants.

Terms and conditions of consortium finance credit should be uniform for all the financial institutions and once the terms and conditions are decided in the consortium meeting, confidentiality should be maintained within the member banks only.

Salient Features:

1. Approved limit of consortium loan is created on party's loan account maintained in the bank.
2. Disbursement of loan shall be made upon the written request of lead bank in the lead bank's account maintained with Central Bank or in any other banks.

3. Lead bank shall request the draw down from participating banks on behalf of the borrower as per the schedule stipulated in the facility agreement.
4. The borrower is required to maintain the checking account with the lead bank or with the participating bank. Opening of checking account with other than consortium requires approval from all the consortium in most of consortium.
5. The rate of interest on the consortium finance is fixed in the consortium meeting. However, the same shall have to be approved by the management. Upon approval from the management the same shall be applied in the computer system.
6. Interest is calculated and charged on daily basis in the debit balance.

As regard to the documentation, following common documents in favor of all the participating financial institutions are executed:

1. *Pari Pasu Mortgage Deed*
2. *Pari Pasu Facility Agreement*
3. *Corporate Guarantee, wherever applicable*
4. *Pari Pasu Hypothecation Deed*
5. *Personal Guarantees*
6. *Letter of Arrangement*
7. *Letter of Continuity*
8. *Insurance Policy for the mortgaged property and hypothecated goods with Banker's clause.*
9. *Authorization Deed wherever applicable*
10. *All legal documents shall have to be endorsed by the bank's official as a token of evidence. Wherever applicable, legal documents shall also required to be witnessed by two witnesses.*

2.3.11 Loan Against Fixed Deposit Receipt:

Customer sometimes require advances against their fixed deposit receipts with the Bank, maturing at a future date. Banks are not bound to advance credit against the same receipts. However, it is customary to do so, as the depositor may require such facility for an urgent need, which could not have been anticipated at the time of placing the fixed deposit in the bank.

The Salient features of Loan against Fixed Deposit Receipt are: -

1. Normally the approved amount of loan against FDR is disbursed by debiting the borrower's Loan against Fixed Deposit Account on which the approved limit is inserted, to the borrower's current account or saving account.
2. The expiry of Loan against FDR shall be on or before the maturity of fixed deposits.
3. The rate of interest shall be the approved rate.
4. Interest is calculated on a daily basis on a outstanding debit balance.
5. Loan against FDR are provided with certain margin to cover interest.

Points to be taken into Account:

1. Generally, advance should, as a rule, be granted to the person in whose name the deposit stands. If the deposit is in the name of two or more than two person names, a letter of authority is required from all the depositors concerned.

2. The FDR shall require to be discharged by the depositor/depositors and their signature/s shall tally with the specimen signature.
3. A letter of lien duly signed by the depositor/s is required to be obtained. The signature/s on letter of lien shall tally with that of the specimen signature.
4. The bank's lien shall required to prominently noted in the fixed deposit register and ledger, and also on the face of the receipt under the signature of authorized officer of the bank.
5. Normally no advance should be allowed against the deposit standing in the name of minor. However in special cases, by obtaining the declaration from the guardian stating that the money belongs to him but has been kept in the name of minor as a matter of convenience, loan against FDR may be allowed.
6. FDR's of only our Banks to be considered for loan against FDR. FDR other than NCC bank shall not be considered for loan.

Security:

Loan against FDR is secured by way of lien against FDR itself.

Procedures:

After getting the approval of the advances from the approving authority, all charge documents as mentioned below shall have to be executed.

Charge Documents:

1. Loan Deed
2. Demand Promissory Note (Single, Jointly and Severally as the case may be)
3. Duly Discharged FDR
4. Letter of Lien
5. Letter of Disbursement
6. Personal Guarantee Bond
7. Other relevant deeds and documents

Procedure:

A separate loan account in the name of the borrower shall have to be opened under demand loan giving suffix FD after basic account number. Limit as approved should be fixed in the loan account, interest rate, expiry date should be properly inserted as approved. Different parameters under the loan account should also be checked in the computer system. The expiry of the loan shall be on or before the expiry date of the FDR and shall be recorded for monitoring.

Note: - A separate Fixed Deposit Account -Manual has also been designed for handy guidelines in this regard.

2.3.12 LOAN AGAINST SHARES

Meaning

The capital of a Private or Public Limited Companies are divided into shares. Shares can be categorised mainly into two types – Ordinary and Preference Shares. Ordinary share generally carry no fixed rate of dividend unless deferred ordinary shares are issued, but receive a dividend dependent on the amount of net profit earned by the company.

Preference shares generally carry a fixed rate of dividend which however is payable before payment of the dividend on the ordinary shares. The holding of shares are presented by share documents, which is issued under the official seal of the company, showing ownership of share(s) in that Company. Bank may provide loan against lien/preclude of these share certificates of various companies approved by Head Office from time to time listed in the Stock Exchange.

Features

1. The whole amount of loan is debited to the customer's name on Demand loan account and credited to current or savings or Overdraft Facility may also be allowed.
2. This type of loan is usually for a short period to meet the immediate requirement.
3. Bank usually accepts shares of reputed companies having strong financial position and good market value.
4. Once the Bank Official/Branch Manager is satisfied with the security offered, he will calculate the drawing power of the borrower on the basis of average market value during last one year or present market value whichever is lower keeping prescribed margin and also complying all other instructions in this respect.
5. As the price of shares are very sensitive and fluctuates very frequently, close watch on the share price is to be kept on a daily basis and drawing power against the share are to be calculated at least on a weekly basis.
6. If the price of the share goes down the limit to be reduced up to the new drawing power and asked the customer to deposit the deficit amount or top on the additional security immediately within 24 hours.
7. If the share price goes down by 5% or more, the limit to be downward revised immediately even between the week and repeat the procedure as mentioned in point no. 6 above.
8. Interest rate may vary from time to time as per management's decision.
9. Interest is calculated in each quarter or on expiry of the loan.
10. Bank normally do not provide loan against its own shares.
11. Advances against such securities are safe and easily realizable.

Points to be considered

Before allowing the advance, obtain delivery of the shares and their Transfer Deed forms and thoroughly scrutinize them with regard to the following:

1. They are original share scripts and bear the seal of the company.
2. The share is listed with Nepal Stock exchange.
3. Market trends shall be watched on a daily basis from time to time by obtaining the market value from the national daily newspaper or website of Nepal Stock Exchange.
4. Risk should be spread. Shares and debentures held in large blocks by few parties should be best avoided.
5. Stipulated margin should be maintained all the times.
6. The conduct of the account should be watched.
7. Drawing limit should be calculated up to date.
8. Adequate number of transfer deeds duly signed and witnessed but not dated should be taken.
9. As far as possible third party shares should not be accepted as a security. If such shares are to be accepted, letters of renunciation should be obtained from the owner.
10. A mandate addressed to the company concerned by the borrower for payment of dividend directly to the bank should be taken.

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11. Mutilated and damaged share certificates, certificates containing unauthenticated alterations and cancellation as well those which does not contain company's seal should not be accepted as security.
12. The shares taken, as security should be lien marked with the concerned company and stock exchange in favor of the bank.
13. In case of an offer for right shares, an intimation to the holder of the share should be given.
14. If the holder of the shares to whom right share is issued fails to deposit the amount of right shares, the letter of right may be renounced with the permission of the corporate office and the sale proceeds should be credited to the borrowers account under intimation.
15. Bonus shares issued against shares pledged with the Bank shall be tracked and shall be kept under lien to the Bank.

Security:

Loan against shares are secured by way of lien against the shares itself.

Procedures:

A separate loan account in the name of the borrower shall have to be opened under demand loan giving suffix SC after basic account number. Limit as approved should be fixed in the loan account, interest rate, expiry should be properly inserted as approved. Different parameters under the loan account should also be checked in the computer system.

Loan should also required to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Charge Documents:

After getting the approval of the advances from the approving authority, all charge documents as mentioned below shall have to be executed.

1. Loan Deed
2. Demand Promissory Note (Single, Jointly and Severally as the case may be)
3. Letter of Lien
4. Letter of Arrangement
5. Letter of Disbursement
6. Different set of Forms required to be executed for affecting the transaction of sales and purchase as prescribed by Nepal Stock Exchange
7. Letter of Registration of lien over the shares by the stock exchange and the company concerned, restricting the transfer of lien marked shares.
8. Personal Guarantee Bond
9. Other relevant deeds and documents

Note: - A separate Product Paper has also been designed for handy guidelines in this regard.

2.3.13 Loan Against Government Securities:

Nepal Rastra Bank issues securities in the form of **National Saving Bonds, Treasury Bills and Development Bonds**. Treasury bills are generally subscribed by the financial institutions both banking and non-banking on bid whereas development bonds are subscribed by the individual and institutional buyers. Saving bonds are issued by Nepal Rastra Bank are also for subscription by the general public. All these securities are safe and easily realizable. Their prices do not fluctuate and ready market exists for them.

Saving bonds like other government securities bear the fixed rate of interest. Interest on saving bonds are paid on half-yearly basis through financial institutions.

Government securities may be in the form of inscribed stock or promissory note. Inscribed stock consists of securities issued by the Government in the name of the owner of the stock in the books of Nepal Rastra Bank. These certificates contain particular viz. name of the owner, amount, rate of interest, Expiry date, etc.

Points to be considered

Before allowing the advance, obtain delivery of these instruments and their Transfer Deed forms and thoroughly scrutinize them with regard to the following:

- That the instruments are issued in the name of the borrower/guarantor/pledgee.
- That the instruments are duly signed and '**endorsed in blank**' by the holder/holders of these instruments.
- In case of pledge of instruments, instruments must be accompanied with the interest payment slip so as to utilize the interest on payment of interest on advance.

Security:

Loan against government bonds are secured by way of lien against the bonds itself.

Procedures:

After getting the approval of the advances from the approving authority, all charge documents as mentioned below shall have to be executed.

A separate loan account in the name of the borrower shall have to be opened under demand loan giving suffix GS after basic account number. Limit as approved should be fixed in the loan account. Interest rate, expiry date should be properly inserted as approved. Different parameters under the loan account should also be checked in the computer system.

Loan should also require to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be made as per approved disbursement mode from the same module.

Charge Documents:

1. Loan Deed
2. Demand Promissory Note (Single, Jointly and Severally as the case may be)
3. Letter of Lien
4. Letter of Arrangement
5. Letter of Disbursement
6. Letter of Registration of lien over the bonds by the issuing authority, restricting the transfer of lien marked bonds.
7. Personal Guarantee Bond
8. Other relevant deeds and documents

2.3.14. Bills/Cheques Purchase

Sometime it is necessary for the bank to purchase bills/cheques drawn in favor of the bank's customer so as to allow quick liquidity to the customers, for meeting their immediate cash requirement. Interest warrants, drafts, dividend warrants, cheques etc., are called bills. When the bank purchases the bills/cheques of the customers the bank become the owner of such bills or cheques. The purchased cheques/bills are then sent for collection/clearing. After receipt of the proceeds from collection/clearing, such

transactions are nullified. It is safe to purchase the cheque with the good for payment mark on its face with in its validity.

Features

1. The amount of bills/cheques are credited to the customers account after deducting commissions as approved by debiting the party's bills /cheque purchase account.
2. The owner of such bills/cheques can only avail this facility.
3. Bills/Cheques of those customers who have a proven track record in the bank are only purchased by taking the necessary approval.
4. Generally this facility is allowed to the limit holder credit customers by taking the approval.
5. Once the due period for realization is lapsed, the bank charges highest rate of interest to the customers availing such credit till it is realized.

Points to be considered

Before allowing the advances against cheques/bills following points shall have to be taken in to account.

- That the instruments are purchased on account of the banks customers having past satisfactory track record.
- That the instruments are in order with regard to the signature, seal and endorsement.
- This transaction must be carried out on selective basis only.

Security:

Loan against cheques/bills are secured by way of lien against such instruments and indemnity bond duly signed by the customer, to whom such facility is allowed. Bank may also take additional security as per the policy of the Bank.

Procedures:

After getting the approval of the advances from the approving authority, all charge documents as mentioned below shall have to be executed.

Charge Documents:

1. Duly filled up application form, designed by the bank.
2. Indemnity bond duly signed by the owner of the instrument.

A separate account in the name of the borrower shall have to be opened under bills / cheque purchase account giving suffixes BP after basic account number. By debiting the BP account of the customer, the checking account should be credited, deducting necessary charges. If the instrument does not realize with in the prescribed time, highest interest should be charged till it is realized. If the instrument does not realize within the reasonable time, the customer shall have to be intimated, requesting to deposit the amount equivalent to bill with interest thereon. Upon deposit of the amount with the interest, the instrument should be returned to the customer. If the customer fails to deposit the amount, with in a given period of time, the branch shall debit the customers checking account with the amount of bills and the interest thereon to make the customer's bills purchase account current by taking the necessary approval. In such cases the instrument in no circumstances shall be returned to the customer because the recovery action requires that instrument.

Loan should also require to be registered in the loan module in the system before it is disbursed. After registration of the loan in the loan module, disbursement should be

made as per approved disbursement mode from the same module, taking necessary commission.

2.3.15 Ad-hoc Facilities

Bank may also sometimes have to provide temporary funded as well as non-funded facilities to the customers (existing and/or new) on the following circumstances, which are not pre-arranged.

- To the existing customers to meet increased requirement of the borrower until the additional limit is fixed.
- To meet customers one off requirements.
- To cope with the competition with the understanding that the customer will immediately process for the regular limits.

Points to be considered

1. Temporary facilities are to be charged with higher rate of interest and fees
2. These types of facilities will be terminating on maturity and the facilities once matured cannot be re-utilised.
3. Such facilities are to be provided strictly under the terms and conditions based on the strict assessment of the business, track record, nature of business, specified job in hand (export programme, contracts in hand, etc.), track record of the customer, nature of business, etc.
4. Appropriate security documentations shall be executed prior to disbursement of the ad-hoc facilities according to the nature of the ad-hoc facilities being granted.
5. Strict monitoring has to be exercised to ensure that temporary facilities provided on ad-hoc basis are settled on time.

Procedures:

After getting the approval of the advances from the approving authority, all charge documents shall have to be executed according to the nature of the facilities being provided.

2.3.16 Buffer/Unadvised Limits:

Adhoc limits are provided on the basis of urgency and seasonal requirement of the customer in one off basis whereas Buffer/Unadvised Limits are assigned at the time of sanction of facilities. Such limits are basically considered for the clients having high degree of credit worthiness and rating not below "A". These are pre arranged limits designed to;

1. Impart efficient service to the customer.
2. Shorten the underwriting process time in case of urgency and seasonal requirement of the customer.
3. Cater the valuable customer from branch authority itself.

Things to be considered:

1. This limit is confined to 20% of total limit of the borrower (Funded & Non Funded both) and shall be granted at the time limit sanction to the client by the approving authority at the recommendation of the branch.
2. This limit is for Bid Bond Guarantee and Short Term Loan facilities only.
3. Customer will not be advised about this limit and shall not be included in the Sanction/Offer Letter explicitly. Branch will keep a separate register for such facility customer-wise individually.
4. Branch shall charge additionally 1% on the top of corresponding facilities of the customer.
5. As a prudent norm, branch shall on monthly basis inform CRD for disbursement of such limits.

6. Client must fall under "A" category as per the Internal Credit Risk Rating guideline.
7. Such hidden facilities are to be provided on selective basis.

3. BANK GUARANTEES

Bank gives guarantees to the third party called beneficiary on behalf of their customers. Bank guarantee is a written letter of undertaking issued by the bank, committing to make the losses good to the third party in case of non-compliance of the terms of the contract by its customers, on behalf of whom the guarantee is issued. Three parties as below are involved in the issuance of the bank guarantee.

The principal Debtor	-on behalf of whom the guarantee is issued
The Beneficiary	- on favor of whom the guarantee issued
The Guarantor/Surety	- who issues the bank guarantee i.e. the bank

Bank guarantee is a non-fund based advances, which does not involve the cash outflow or the bank does not have to part with fund in allowing the bank guarantee facility to its customers. However, the bank makes a written commitment that the bank will compensate the losses, in case the principal debtor fails to comply the terms for which the cover is given by the guarantee.

Nature and Types:

Like in fund-based advances, issuance of bank guarantee by the bank also involves the risk, arising from the creation of the contingent liability. Contingent liability is reflected in the off balance sheet item in the general ledger of the bank. Contingent liability is such liability, on which the bank is not immediately liable, however, the liability may arise in later course of time with the non-compliance of the terms of the contract on behalf of whom the non fund based facility is granted.

Bank guarantee can be broadly classified into two types according to its nature i.e. Conditional Bank Guarantee and Unconditional bank guarantee:

Conditional Bank Guarantee is such guarantee, the lodge of claim by the beneficiary of which requires the submission of evidence of non-compliance of terms of contract for which the guarantee is issued. Where as unconditional guarantee does not require the submission of any evidence by the beneficiary to the guarantor i.e. the bank for lodging the claim under such guarantee.

The bank issues following types of guarantees under above broad classification i.e. conditional and un-conditional.

3.1 Bid Bond Guarantee:

Bid Bond Guarantee is issued by the bank on behalf of the customer's i.e. principal debtors, favoring the beneficiary, for bidding the tender. If the customer to whom bid bond is issued is awarded tender, he is required to sign in a contract with in a stipulated time to perform the job under tender. His failure to sign in the contract in a stipulated time will allow beneficiary to claim the bid bond with the guarantor.

3.2 Performance Bond Guarantee:

Performance Bond Guarantee is issued by the bank favoring the beneficiary on behalf of those customer to whom the tender is awarded. Here the guarantor i.e. the bank guarantees the beneficiary, the performance of job/duty under the awarded contract by the customer i.e. the principal debtor. If the customer fails to perform the job under contract, the beneficiary can lodge claim as per the terms of the guarantee issued by the bank.

3.3 Advance Payment Guarantee:

Advance Payment Guarantee is issued on a/c of the customer, favoring the beneficiary, for receiving the mobilization fund from the beneficiary by the customer as per the terms of the contract. This type of bond is also popular by the name of the Mobilization Bond.

3.4 Financial Bank Guarantee:

Financial Bank Guarantee is issued on behalf of the customer favoring any of the financial institutions to get the cash advances from them. Issuance of financial guarantee requires bank to comply with the provision of special circular of Nepal Rastra Bank.

3.5 Other Guarantees:

Most of the other guarantees entail the features of performance bond guarantee. Therefore, they are issued in the standard format meant for Performance Bond Guarantee. The other type of the guarantees are issued for avoiding the direct cash deposit by the customers in order to perform any duty or services. They are basically issued for following purposes:

- To obtain credit from the manufacturer or distributors.
 - To hold the air ticket from the airlines.
 - To obtain the retention money, under contract.
 - To release the goods in absence of original shipping documents.
 - To obtain the license for agency.

Procedure

It is very difficult to distinguish the other types of the guarantees with that of financial guarantees because the claim on each guarantee results into financial liability. Therefore, it is important to make an appraisal of the guarantees as well.

The amount of each guarantee is dependent on the amount of work order. It would be therefore necessary to examine whether the borrower has the capacity to execute the order or not. Whenever, the work order is of higher value than annual turnover of the customers, in such case more than ordinary care is required for ascertainment of capacity of customers to execute such orders. If the bank is satisfied with the capacity of the customer to execute the order, the memo to issue the guarantee shall be forwarded for approval from the competent authority. Upon approval of the same from the competent authority, the bank shall issue the guarantee.

In cases of the guarantee to be issued in lieu of the government taxes contested, the taxes /duties are always in relation to the transactions already entered into, therefore it may not be relevant to relate with the turnover of the customers. However, so far possible, such guarantees shall require to be issued with the higher margins.

Like in funded advances, guarantees should be examined in terms of the debt/equity ratio and the security coverage. Security coverage for the issuance of the different guarantees for different purpose shall meet the provision of the credit policy of the bank under security coverage requirement.

Points to be considered

Points to be considered
Before allowing the guarantee facilities to the customers, following points shall have to be taken in to account.

1. The Purpose of the guarantee
 2. The need of the guarantee i.e. whether it is required for normal banking business or for other purposes, whether it is required for regular or adhoc basis.
 3. The nature of the guarantee
 4. The financial strength of the customers
 5. The present exposure of the customers

6. The past track records
7. The value of the security offered for issuance of the guarantee
8. The amount of the guarantee
9. Contents of the guarantee if formats other than used by the Bank is required.

Security:

All forms of guarantee whatever the nature it may be, should be secured.

The security for the guarantee shall be any types as described under security head of this operating manual. However, the guarantee can be issued against the counter guarantee as well.

Charge Documents:

1. Duly filled-up application form.
2. Authority to debit account
3. General Indemnity Bond
4. Loan Deed
5. Demand Promissory Note
6. Letter of Lien
7. Personal Guarantee
8. Corporate Guarantee
9. Counter Guarantee
10. Mortgage Deed

3.6 Counter Guarantee

Counter guarantee generally can take any of the forms as described below:

Counter Guarantee by One unit to another:

Sometime a unit having regular limit for guarantee can allow another unit, a related unit (i.e. Sister Concern, Subsidiary and J/V partners), to use its guarantee limit by executing the counter guarantee. Bank on the basis of the counter guarantee of the unit having regular limit with the bank can issue the guarantee earmarking the limit equivalent to the counter guarantee of the principal unit. However, in this case the unit in favor of whom the guarantee to be issued against counter guarantee should have account with the bank. Unit issuing counter guarantee is also required to submit other legal documents like authorization deed signed by the competent person. Unit utilizing such facility shall submit the following documents to get qualified for such facilities;

- a. Open a Current account.
- b. Contract or Agreement.
- c. Positive net worth for last two consecutive years. In case of new unit merit based consideration may be allowed.
- d. Clean CIC status

However any waiver in above can be granted by the CEO upon special recommendation of the branch.

Bank may also issue guarantee against counter guarantee from another Bank of repute.

Counter Guarantee of Foreign Banks:

In case of global tender, the foreign party to bid and perform contract in Nepal has to submit bank guarantee of the Nepali Bank. In such case the bank shall issue bank guarantee of any type on behalf of foreign party against the authenticated counter guarantee issued by the bank's agency bank located abroad. Counter guarantee against which the guarantee is issued is required to remain valid for additional period of not less than seven days. This is required so as to safeguard the interest of the bank in case the guarantee is invoked by the beneficiary the bank can claim the counter guarantee within the validity of the counter guarantee.

Counter Guarantee to Foreign Banks:

Nepali party participating in global tenders are required to submit the bank guarantee from the bank where the tenders originates, where the bank guarantee of Nepali Bank is not acceptable. In such case, it shall be the responsibility of that bank, where the customer has a limit for a bank guarantee, to arrange the counter guarantee from the foreign bank in favor of the party. The customer arranges to issue the guarantee from the bank where the tender is originated against the submission of the counter guarantee arranged by the bank.

Issuance of counter guarantee to foreign banks in currency other than NPR and INR needs Nepal Rastra Bank approval.

(Counter Guarantee to foreign banks is also issued in regular basis for the purpose of bringing goods imported from third country via Indian territory to Nepal, where Nepali banks issues counter guarantee to Indian banks against which Indian bank further issues guarantee in favour of Indian party.)

3.7 Cross Guarantees:

Banks make lines of credit available to subsidiaries or affiliates of major companies of Nepali origin or foreign origin in course of its operations. Situation may arise whereby such subsidiaries or affiliates are not by themselves are credit worthy and have to rely on the strength of their parent company's guarantee for securing the credit of these affiliates/subsidiaries. In such circumstances, Bank shall either ask the parent company to inject the capital or give a guarantee in order to ensure the security of the facilities granted to such entities.

The Bank will pursue for parent company guarantees when borrowing customers who are subsidiaries or affiliates of other companies do not pass the Bank's standards for credit worthiness. When accepting guarantees of a parent company, the bank requires credit checking and a financial analysis of the parent company because the facility being provided to the borrower are extended on the strength of the parent company's characters and financial condition. It is prudent to require cross guarantees from all subsidiaries for the parent company, particularly in the case of a corporate holding company that is an administrative organization only.

3.8 Settlement of the Bank Guarantee:

In one of the following cases, bank guarantee shall be settled:

Upon Expiry of the validity of the Guarantee:

All bank guarantee of whose validity has elapsed shall require to be settled. However, Guarantees requiring release letter from the beneficiary shall be settled upon receipt of

release letter from the beneficiary. However in general, Bid Bond shall be released after 7 days and performance Bond after 15 days from the date of expiry. Guarantees issued in favor of Govt/N agencies (eg. Customs Office) shall be released only upon submission of release letter from such Govt. agencies. Nevertheless bank shall verify the genuineness of the letter.

Release before due date:

If the beneficiary submits the release letter issued by the beneficiary before the expiry of the bank guarantee, the same shall require to be released after proper authentication of the release.

Invocation of the Guarantee:

If the beneficiary of the guarantee invokes the guarantee, bank is liable to honor the same if claim is lodged within the validity period of the guarantee. Bank shall be required to check the terms and conditions of the guarantee thoroughly. If there is a valid ground of invocation, the claim of guarantee the same shall be intimated to the customer with few days time to settle it. If the customer fails to settle the same within the given time, claim under guarantee shall have to be honored by booking force loan charging highest rate of interest if there is no sufficient balance in the checking account of the customer/s. Proceeds under invoked guarantee must be made through pay order with a covering letter mentioning the details of the guarantee. After creation of force loan, if any, rigorous follow up shall be required to be conducted for settlement force loan with interest. Failing which stringent recovery process shall be attracted as per Bank's recovery policy.

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Part B - CREDIT APPRAISAL

4.1 Working Capital Appraisal:

There are several steps in the process of WC appraisal.

- i. Interview with the prospective borrower.
- ii. Submission of final papers/replies to queries by the borrower.
- iii. Processing of the proposal and pre/post-sanction inspection for verification of facts.
- iv. Sanction and advise to the borrower.

The above steps require credit expertise, knowledge of the environment around and general awareness.

- i. **Interview with the prospective borrower** - The interview with the borrower should be specially conducted in an environment wherein the borrower feels free to discuss about himself. The interview should be for ascertainment of the man behind the project, his background, the reasons that made the man select a particular line of business/industry, whether adequate viability study has been carried out, advantages of particular location, governmental concessions & restrictions for the activity, the stake in terms of career that the promoter has and so on, which should indicate more about other aspects of project which cannot be covered in financial statements.
- ii. **Submission of final papers/Replies to queries by the borrower** – It is very essential that all the queries on the information submitted by the borrower or additional requirement of information may be advised to the borrower in one go and the queries should not be raised in bliss and pieces. It is advisable to discuss again with the borrower when he comes back with the papers, to ensure that the information that has been sought, is what is submitted. The interaction at this stage can avoid protracted correspondence and misunderstanding that may arise due to repetitive queries. This will also ensure adherence to time norms laid down by Nepal Rastra Bank.
- iii. **Processing of papers and pre sanction inspection** – It is advisable that the persons who do processing of papers and pre-sanction inspection are two different persons and the same person does not conduct inspection and scrutinize papers. This also helps ensuring objective inspection and avoids a bias.
- iv. **Processing of Papers** - It is normally expected that the following statements are submitted by the borrower.
 - (A) Project report giving viability study and Bio-data of key-personnel in case of new venture.
 - (B) **Financial Statements**
 - i. Profit and Loss account for the last three years.
 - ii. Balance Sheet for the last three years.
 - iii. Funds flow and Cash flow for the last three years.
 - iv. Working Capital Assessment for projected years.

Name of the Company	ANALYSIS OF FINANCIAL STATEMENTS	
	Previous year	(Rs. In lakhs/thousand) Current Year
<u>Analysis of Balance Sheet</u>		
<u>Fixed Assets</u>		
Land		
Building		
Plant & Machinery		
Others		
Gross Fixed Assets		
Less : Depreciation to date		
Net Fixed Assets		
Capital Work in Progress		
TOTAL FIXED ASSETS (I)		
Investment (II)		
<u>Current Assets</u>		
Stocks – raw materials		
Finished goods		
Work in progress		
Stores and spares		
Receivables		
Loans & Advances		
Advance Payment of Tax		
Inter-Corporate Deposits		
Others		
Cash and Bank Balance		
TOTAL CURRENT ASSETS (III)		

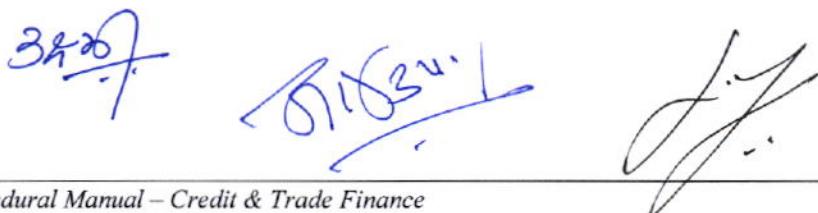
Current Liabilities		
Creditors		
Bank Borrowings		
Deposits/Advances		
Provision for Dividend		
Provision for Taxation		
Other Current Liabilities & Prov.		
TOTAL CURRENT LIABILITIES (IV)		
Net Working Capital		

(III - IV) = (V) Net Tangible Assets (I+II+V) = (VI)		
Long Term Liabilities		
Term Loans Debentures Deferred Payment Credit Fixed Deposits		
Total (VIII)		
Net Worth (VI-VII) = (VIII)		
Net Worth Represented by		
Share Capital : Equity Preference Revaluation Reserve Other Reserve & Surplus		
TOTAL NET WORTH (IX)		
Less : Intangible Assets Goodwill etc. Deficit in P&L Account		
Total (X) (IX-X) = (XI)		(Rs. In lakh)
Analysis of Profit & Loss Account	Previous Year	Current Year
Gross Sales Less L Excise Net Sales		
Closing Stock of finished goods and work progress Other income (mainly consisting of processing charges)		
TOTAL (A)		
Opening Stock of finished goods and work in progress Raw materials consumed Other Manufacturing Expenses Power and Fuel Salaries and Wages Consumable stores Repairs and maintenance Administrative and misc. exp. Selling expenses		

<p>TOTAL (B)</p> <p>Gross Profit (A – B) = C Interest Depreciation</p> <p>Total (D)</p> <p>Operating Profit/Loss (C-D) Adjustments Add : Prov. Written back Less : Assets Sold/Written off Taxation Net Profit Cash Accruals</p> <p>Additional Information : Dividend Pref. (Rate %) Equity (Rate %)</p> <p>Installed Capacity (M.T.)</p> <p>Production (M.T.)</p> <p>SELECTED RATIOS Capacity Utilization (%)</p> <p>% of operating profit to net sales % of net profit to equity capital % of raw materials to cost of prod. % of Salaries /wages to cost of prod. % of int. to value of output (cost of prod + int. + dep.)</p> <p>L.T. Debt/Equity Ratio Current Ratio % of finished goods to net sales % of receivables to gross sales % of stock of raw materials to annual consumption</p>		
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The detailed formats for operating statement i.e. Profit & Loss A/c, Balance Sheet & Funds Flow are given above. However, Balance Sheet analysis & Working Capital appraisal is discussed below.

The Balance Sheet for the purpose of Working Capital appraisal is classified as under



Current Liabilities

(A) Short Term Borrowings from Banks

- (i) Applicant Banks
- (ii) From other Banks

(B) Other Short Term Borrowings & Current Liabilities

Eg. Deposits, Sundry Creditors, Unsecured Loans, Provision for taxation, installments of Term Loan etc.

Hence (A + B) gives us Total Current Liabilities.

(C) Term Liabilities

e.g. Debentures, Term Loans less installments payable in the current year, Term deposits etc.

It may now be noted that A + B + C = Total Outside Liabilities

(D) Net Worth

- Capital
- Retain Earnings
- General Reserve
- Other Reserves
- Surplus / Deficit from P & L

Hence (A+B+C+D) would give us Total Liabilities.
(TOL + Net Worth = Total Liabilities)

(E) Current Assets

- (i) Cash & Bank Balances
- (ii) Investments (Short Term)
- (iii) Inventory
- (iv) Advances to Suppliers and any other Current Assets

(F) Fixed Assets

- (i) Machinery
- (ii) Land
- (iii) Building
- (iv) Vehicles
- (v) Equipments

(G) Other Non-Current Assets

- (i) Investments in Associates / Subsidiaries
- (ii) Advances to Supplier of Capital goods
- (iii) Deferred Receivables

Total Assets would therefore be E+F+G.

We have earlier defined Tangible Net Worth. From the above it can be worked out by deducting intangibles like Goodwill, Patents, Preliminary expenses from the Net Worth.

Another important term is Net Working Capital, which is nothing but difference between Total Current Assets and Total Current Liabilities.

$$\text{i.e. } (E + F + G) - (A + B + C)$$

Position Regarding Current Assets & Current Liabilities

		Last Year Actual	Current Year Estimates	Following Year Projections
1. Current Assets				
i.	Raw Material (.....months holding)			
ii.	Stock-in-process (.....months holding)			
iii.	Finished Goods (.....months holding)			
iv.	Receivable (.....months sales)			
v.	Advances to Suppliers of Raw Materials			
vi.	Other Current Assets including			
2.	Current Liabilities Other than Bank borrowings			
i.	Creditors for purchase of raw materials			
ii.	Advance payment received from customers			
iii.	Unsecured Loans & Deposits			
iv.	Other Current Liabilities			

Working Capital Gap (Requirement) - 1 – 2

$$= (\text{Current Assets}) - (\text{Current Liabilities other than Bank Borrowings})$$

The Working Capital Gap so worked out is required to finance as under:

Working Capital Gap = Bank Borrowings + Internal Generation of fund from business/equity injection

The % of Bank Borrowings on Net Working Capital Gap varies from Bank to Bank. Depending upon nature of business and cash realization capacity banks prefer to fix the percentage of financing.

Generally the methods are followed as under:

- i. Working Capital Gap Method: It is expected that the borrower should bring in 30% of Working Capital Gap and 70% should be by way of Bank Borrowings. Considering the nature of business of the particular unit and working capital conversion cycle, the bank can finance up to 80% of working capital gap.
- ii. Current Asset Method: It is expected that certain percentage normally 30% of Current Assets are by way of margin by the borrowers. In this case, the Bank Borrowings will be lower than that in Working Capital Gap method.

There could be several other approaches, including converting excess borrowings over stipulated criterion for Bank Borrowings into Term Loan, so that the borrower is brought into financial discipline within one year.

The share of Bank Borrowings and Net Working Capital in the Working Capital Gap may vary from industry to industry, and also depending on whether the industry is established for considerable time or is newly established. For trade finance similar working is possible.

It is however essential that certain questions are raised and clarified once we arrive at the limit. Some of the issues that could be looked into are as under:

- i. Why are the Bank borrowings increasing – In case the sales are increasing, the business is growing then the Bank Borrowings will go up as natural consequence. However, it must be verified as to whether the % of Net Working Capital to Bank Borrowing has remained the same or is decreasing. It may be possible that a borrower may reduce his stake and increase Bank Borrowings. The following example will clarify the same :

XYZ Ltd.

	Current Year	%	Following Year	%
Current Assets	100	100%	160	100%
Current Liability	50	50%	60	37.5%
Working Capital Gap	50	50%	100	62.5%
Net Working Capital	30	30%	40	25%
Bank Borrowing	20	20%	60	37.5%

It may be seen that in the above table the projected Bank Borrowings at 60 are after 25% contribution of the borrower/business to current asset. However, from the current year position it will become clear that the Net Working Capital was 30% of Current Assets which has been brought down at 25% of Current Assets. This would mean that the borrower has not kept the stake at the same level. These may be acceptable only if we satisfy ourselves that there are no adverse features associated with such reduction.

- ii. The increase in stocks is disproportionate to increase in sales: The stocking pattern changing towards higher level of stocking may indicate inefficiency or obsolete/damaged stock being included in the current stock. One should guard against such deterioration, which may be observed by analyzing the data.
- iii. Reduction in Creditors: Even though amount-wise there may not be any deterioration in debtors, as a % of purchases if the debtors are decreasing, it may be verified that the credit available is not shrinking on account of any adverse features.
- iv. Increase in Debtors: It is essential to verify that debtors have increased as a corollary to increased sales and not an account of certain debts which have gone bad. It is therefore advisable to call for debtors list giving the various dates.
- v. Reduction in Current Ratio: The reduction in current ratio indicates movement of funds from current assets to fixed/non-current assets. There may be very unhealthy diversion of funds to fixed assets and unit may suffer from liquidity crunch. This may happen when a unit anticipating sanction of Term Loan for

goods to machinery purchase may divert working capital funds to machinery purchase ie. long term uses.

The above discussion is only indicative and it is beneficial that all the ratios / indicators should be explained with reasons for decrease/increase. This will make the appraisal more meaningful and will minimize risk factors.

It is very important to note that there are certain industries which have peculiar operating cycle and their appraisals cannot be carried out on the general lines. These are Finance Companies, leasing and Hire Purchase, Sugar Industry and Tea Industry.

4.2 Term Loan Appraisal

Term Loan appraisal differs from Working Capital appraisal mainly on account of difference in the assets that are required to be financed. In general Working Capital appraisal is done for financing current assets and Term Loan appraisal is done for financing fixed assets. Since the term loan has to be repaid over a definite period, it is the cash generation capacity of the project that is given weightage.

The following factors are examined for Term Loan Appraisal.

- i. Viability study of the project in case considered essential.
- ii. Cost & Need for fixed assets to be acquired.
- iii. Projected operating generation after acquisition of fixed assets.
- iv. Repayment schedule

Characteristic of a Viable Project

- a) The financial viability of the Project must be proved – Realistic Projections with adequate Cash Flows.
- b) There must be a assured market a price consistent with the financial projections.
- c) Financial Capability must be available to cover cost overruns.
- d) Technical expertise must be available to complete and operate the project in accordance with cost and product specifications.
- e) The sponsor must make an equity contribution with the risk of the project and its interest in the project.
- f) The project is not a new technology
- g) Management must have experience/understanding of the local conditions.

It may not be essential to look into the viability study in case it is an existing unit. A techno economic viability must be looked into in case of a new unit. The techno-economic study may be essential in case of a product with technical process or certain other products where the process is not an established one. However, in case of established industry and products, even though no special study may be insisted upon, comparisons with similar existing units may be carried out. The capacity, location, governmental regulations, infrastructure, availability of power and water, proximity to source of raw materials and buyers, proximity to ports/exit points to other countries market for the product etc. may be looked into for the purpose of comparison. In case a unit like Brewery, even though the process is established, the comparison with other existing units on our books can always be done and analysis of benefits addition of machinery in case it is an existing plant may be carried out. The benefits of modernization/expansion in capacity could be analyzed for existing units.

Term Loan appraisal differs from Working Capital in one more aspect. Working Capital Requirement has to be calculated, whereas term loan requirement is predicted by cost of

fixed assets to be acquired. Working Capital finance is normally a running account and hence the emphasis in working capital appraisal is on arriving at the level or value of current assets. In context of term loan appraisal the emphasis is on calculating the repayment capacity of the unit or income generation by the unit. The first step in term loan appraisal is to take a look at fixed assets proposed to be acquired and arrive at value of term loan required after fixing suitable margins.

Fixed Asset to be acquired	Margin Suggested*
Land	33 to 50%
Building	25 to 50%
Plant & Machinery	25%

* In general the margin to be fixed according to the risk associated.

The margin on land is higher as it is difficult to verify the price of the land. Building, Plant and Machinery are verifiable on the basis of bills and market value. Hence the requirement of term loan may be assessed as under.

Cost of Project's total Fixed Assets – *Equity = Term Loan Requirement
**some part of equity is utilized for Working Capital Requirement as well.*

The term loan component as a part of total project should be scrutinized. The next step would be to look after into repayment capacity (Cash flow and DSCR).

The operating statement for the period for which term loan is proposed should be obtained and analyzed. The term loan installment is to be paid from the cash accruals and the following ratios will help in analyzing the repaying capacity of the unit.

Debt Service Coverage Ratio

$$\text{Debt Service Coverage Ratio} = \frac{\text{Profit after tax} + \text{Depreciation} + \text{Interest}}{\text{Repayment obligation} + \text{Interest}}$$

The ratio greater than one will indicate that income is adequate to pay installment, but it may not be adequate to take care of other payments. It is therefore preferable that the ratio is above 1.5 to have a comfortable cash generation. The repayment obligation may be adjusted to make the ratio comfortable and it could be one of the tools to decide on the repayment programme. Before computing the debt service coverage ratio, the various items comprising 'debt' and 'service' respectively should be consolidated in to aggregates as under:

Service :	1 st Year			2 nd Year			3 rd Year etc.		
	NCC	Others	Total	NCC	Others	Total	NCC	Others	Total
Cash Accruals									
Debt									
Installments under term loans									
Add :									

Installments deferred payment guarantees								
Maturing Term Obligations								

1. Debt Service Net Coverage Ratio (DSNCR) :

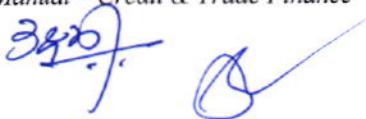
	1 st Year	2 nd Year	3 rd Year etc.
A. Cash Accruals :			
B. Maturing Term Obligations			
DSNCR (A divided by B)			

An ideal position would be a uniform pattern of the debt service net coverage ratio around 2:1 during the entire repayment period. A ratio more than 2:1 will indicate surplus service cushion available and thus the need for accelerating the repayment installments accordingly. The level of the ratio between 1.75 : 1 to 2 : 1 will be the moderate risk range. The level of the ratio below 1.75 : 1 will indicate that the element of risk is on the high side.

4.2.2 Debt Service Gross Coverage Ratio (DSGCR):

	1 st Year	2 nd Year	3 rd Year etc.
Gross Service :			
Cash Accruals			
Add :			
Interest on Term Loans/deferred payments			
A. Total			
Gross Debit :			
Maturing term obligations			
Add :			
Interest on Term Loans/deferred payments			
B. Total			
DSCGR (A divided by B)			

For the purpose of this ratio, interest on term loans / deferred payments is added to both sides viz. 'cash accruals' and 'maturing term obligations'. Strictly, interest does not need any service cushion in as much as it is a charge on the profit and loss account and not a discretionary appropriation of profit. Thus, interest due and chargeable can be fully paid even in a year when the project sustains a net loss but does not incur any cash loss. However, the Bank would like to ensure that the profitability of a project does not set so eroded during any year as to give rise to the contingency of postponement of interest payment on account of any cash loss incurred. The rational behind this approach is that even if the repayment of the installments is required to be rephrased subsequently for genuine and valid reasons arising from revised profitability parameters, the project should be able to pay the interest as and when it falls due. It is for this reason that the debt service gross coverage ratio (DSGCR) is also insisted upon along with the debt service net coverage ratio. A debt service gross coverage ratio of 2:1 would call for a higher quantum of cash accruals than what would be required for the same level of debt service net coverage ratio. An ideal position would be a uniform pattern of the debt service gross coverage ratio above 1.75 :1. The moderate risk range of the ratio would



be from 1.50 : 1 to 1.75 : 1. The level of the ratio below 1.50 : 1 will indicate that the element of risk is on the high side.

Finally, comment on the pattern of the debt service net/gross coverage ratios expected to be available during the entire repayment period as worked out above and state whether the margin of safety and the extent of risk coverage available in the debt servicing capacity of the project is satisfactory and acceptable.

4.2.3 BREAK – EVEN ANALYSIS

The next step in the scrutiny of the estimates of cost of production and profitability is the break-even analysis. The starting point for the break-even analysis is the classification of the expenses into fixed (and semi-fixed) expenses and variable expenses. Fixed expenses are those expenses, which must be incurred irrespective of the level of production. Semi-fixed expenses are those expenses which remain fixed up to a certain level of production but become variable when the scale of operations crosses that level requiring more units of the input consistent with the increased level of production. Variable expenses are those expenses, which vary directly in proportion to production.

Furnish the break-even analysis on the following lines for (i) the first full year of production; and (ii) the year of maximum capacity utilization.

Installed capacity (per annum)			
Production per annum			
Capacity utilization (as a percentage of installed capacity)		Amount	Amount
A. Production Value			
B. Variable Expenses :			
(i) Raw Materials			
(ii) Packing Materials			
(iii) Consumable store and spares			
(iv) Any others			(as percentage of A)
C. Contribution (A-B)			
			(as percentage of A)
D. Fixed and Semi-Fixed Expenses			
i. Power and fuel			
ii. Wages and salaries			
iii. Repairs and maintenance			
iv. Other factory overheads			
v. Depreciation			
vi. Sales expenses			
vii. Interest on debentures, term loans and deferred payments.			
ix. Interest on working capital and other short term Bank Borrowings			
x. Administrative expenses			
Axe. Royalty and know-how			(As

			percentage of A)
E. Operating Profit (C-D) (As percentage of A)
F. Break-even sales:			
<u>Fixed and semi-fixed expenses x Production Value</u> Contribution			
G. Break-even at installed capacity:			
<u>Fixed and semi-fixed expenses x capacity utilization % x 100</u> Contribution			
H. Cash break-even at installed capacity:			
<u>Fixed and semi-fixed expenses minus depreciation capacity utilization % x 100</u> Contribution			

Note – I:

Variable expenses are those expenses, which, as stated above, vary directly in proportion to production. Normally, such a linear relationship would exist only between raw material/packing materials/consumable stores and spares, and production. Hence, in the format given above, only these items have been classified as variable expenses for arriving at contribution. However, where break-up of some of the other items like power and fuel, repairs and maintenance, distribution expenses and interest on working capital and other short-term borrowings is available and consumption of these items varies directly in proportion to production, such items could also be classified as variable expenses. For example, in aluminum industry, power and fuel would be in item of variable cost as these are in the nature of raw materials for such an industry and could be classified accordingly. As a general rule, however, these items have been and, in fact, should be classified as fixed / semi-fixed expenses.

Note – II:

Expenses which do not vary directly in proportion to production have been classified as fixed and semi –fixed expenses. These expenses should be carefully scrutinized to ensure that they have been estimated for each year accurately and that they realistically represent the enhanced level of such expenses consistent with the envisaged enlargement in the scale of operations. For example, to meet the requirements of enlarged scale of operations if a unit envisages stepping up of the employment of skilled/semi-skilled labor, the enhanced level of wages and salaries projected should be commensurate with the increase contemplated in such employment. Similarly, a second shift or additional shift contemplated by a unit would entail an increase in power and fuel expenses.

The level of break-even point under all the above categories will depend upon many factors like plant efficiency, effective asset turnover, efficient management of operations, the forces affecting the price structure, optimization in the cost structure etc. What is a satisfactory level of the break-even point should be decided case-by-case taking into account the parameters circumscribing each project. However, as general rule, it can be said that the lower the break-even level, the higher will be the profitability.

In respect of break-even sales, the level should be considerably low in relation to the projected sales as to leave a satisfactory margin of safety. As for the break-even at installed capacity, the level between 51% and 65% will be in 'low risk' range, the level between 66% and 70% will be in the 'medium risk' range, the level between 70% and 85% will be in the 'high risk' range and the level beyond 85% will represent 'very high risk' range. The cash break-even at installed capacity should normally be below 50%.

4.2.4 Cost – Volume Price or Sensitivity Analysis :

The last step in the scrutiny of the estimates of cost of production and profitability is the cost volume-price (CVP) or sensitivity analysis. The purpose of the CVP analysis is to study the cushion available in the profitability of a project to withstand shortfalls in the expected results owing to uncertainties.

The uncertainties could have a threefold impact on the profitability of a project by way of changes in the cost of production, volume of production or selling price. The CVP analysis will reveal the 'span of resiliency' of a project by testing the sensitivity of its profitability to a range of changes in cost, volume and price.

Furnish a summary of the CVP analysis in the body of the appraisal memorandum on the following lines for the year with operating profit nearest to the average operating profit (total of the operating profits for all the years divided by the number of years) :

	Average year level	10% increase in variable cost	10% decrease in volume sales	10% decrease in selling price
1. Sales a. Units b. Amount				
2. Variable Expenses				
3. Contribution (1 b-2)				
4. Fixed Expenses				
5. Operating Profit (3- 4)				
6. Break-even sales				

If a project cannot sustain even a 5% change in the above three variables, its 'span of resiliency' will be in such a narrow range that even minor uncertainties can throw the project out of gear. If a project can sustain changes in the three variables up to 10% its 'span of resiliency' will be in the medium range affording capacity to withstand the adverse impact stemming from minor uncertainties without severe setback in the profitability. Where a project can sustain changes in the three variables up to 15%, its 'span of resiliency' will be in such a wide range that even major uncertainties cannot throw the project out of gear.

Comment on the conclusions arrived at from the above analysis about the sensitivity of the project and the degree of resiliency available to withstand the adverse impact arising from minor/major changes / uncertainties in the profitability parameters.

Leverage Ratio : This ratio measures long term financial stability of the Company and it measures proportion of term liabilities vis-a'-vis Tangible Net Worth (TNW).

This ratio over a period of time should come down indicating plough back of profits into the business.

However, ratios above do not indicate the viability of the unit and one should satisfy oneself that a unit has adequate cash accrual, reasonable break even, practically possible capacity utilization, comparable industry averages and most important of all the genuine entrepreneur.

4.2.5 Financial Statement Analysis

1. Is the businessman capable of earning money from the proposed advance?
2. Will the output be more than the input?
3. Will capital multiply?
4. Will the businessman repay our advance?

Bankers require certain tools to answer the above questions and they have to be assured that "Yes, when we sanction this proposal, it will strengthen our advance portfolio and not weaken it." Like any other worker, a Banker also has certain techniques/tools with which he works and proceeds to assure him about the strength of the proposed advance. These tools are:

1. *Balance Sheet Analysis*
2. *Profit and Loss Analysis*
3. *Ratio Analysis*
4. *Cash Flow techniques and*
5. *Funds Flow techniques*

Generally, Financial Analysis shall be done for three consecutive years.

4.2.5.1 Balance Sheet Analysis

A Balance Sheet, in spite of its limitations, is a very important document for a Banker.

A Balance Sheet is a classified summary of all balances remaining in the general ledger as at the close of business on a particular date, after those items, relating to income and expenditure have been transferred to the profit and loss (P & L) account.

It is also said that a balance sheet reflects a combination of recorded facts, accounting conventions and personal judgments. It is not an account. It is only a statement of position as on a particular day, hence, the name Balance Sheet. It's basically a statement that reflects following;

FUND EMPLOYED = EMPLOYMENT OF FUND

Study of Balance Sheet

A Balance Sheet shows that on a particular date, what the unit owes and what it owns. It shows the sources of funds and also gives us the use of such funds. It is also, therefore, called a statement of sources and uses of funds.

Summarized Format of the Balance Sheet

Liabilities (Sources)	Assets (Uses)
A. Current Liabilities	D. Current Assets
1. Short-term borrowings from Banks & Others	1. Cash
2. Term Liabilities maturing within one Year.	2. Receivables/debtors
3. Sundry Creditors	3. Inventory (Stocks)
4. Unsecured Loans	4. Quoted Investments
5. Provisions	5. Fixed Deposits with Banks
6. Trade payables	6. Advances
B. Long-term Liabilities	E. Fixed Assets
1. Term Loans from Banks & Financial Institutions	1. Land & Building
2. Debentures	2. Plant & Machinery
3. Term Deposits	3. Furniture & Fixtures
4. Deferred Payment Credits	4. Vehicles
5. Deposits payable after one year	5. Long-term Investments
C. Share Capital, Reserves & Surplus	F. Miscellaneous Assets (Non-current Assets)
1. Paid up Capital	1. Investments in sister concerns
2. General Reserves	2. Non-marketable investments
3. Surplus in Profits	3. Book debts more than 6 Months old
	G. Intangible Assets
	1. Goodwill
	2. Patents, drawings, trademarks
	3. Preliminary expenses
	4. Debit balance in P&L accounts

Note : Contingent Liabilities : Guarantees given, L/Cs issued, claims not acknowledged as debts.

4.2.5.2 Profit and Loss Account Analysis

A Balance Sheet is a positional statement, whereas the Profit and Loss account is a result statement. This statement is also known as an income statement. It shows operating results of a business unit for or a given period. Normally of one financial year.

Objectives of Studying the Profit and Loss Account

1. To know the trading results of a unit during the period under study.
2. To relate total profit to total capital, share capital, reserves, long-term liabilities and total funds in business.
3. To find out the relation between profits and turnover.
4. To know the repayment strength of the unit under study.

4.2.5.3 Ratio Analysis

The word Ratio comes from the Latin word 'reri', meaning to think, to estimate, to reckon.

A ratio is a simple expression of one figure in comparison to another. These two figures can come only from the balance sheet or from the P & L account or from both.

To take credit decisions, a banker has to rely on ratio analysis, which is used for measuring past performances and also for projecting future trends. A banker must study the ratios for two or three years to know the progress of the business. Ratios are studied to understand liquidity, profitability, activity, and safety of funds and end use of funds.

Ratios have to be expressed in mathematical terms like percentages (%) or number of times say one figure is 2 times or 3 times of another figure, etc. It is important to remember that the two variables for calculating a ratio, either from the balance sheet or from the profit and loss account, should have something in common; the figures must be comparable to serve some purpose. If we compare machinery of a unit with the debtors of the unit, it will serve no purpose. Machinery will have to be compared with long term liabilities and debtors with creditors to give us some useful information.

4.2.5.4 Cash Flow Techniques

The ability of the borrower to repay the loan from cash flow is the most important consideration. The cash flow with which the Bank is concerned is a forecast of cash in and cash out. The Cash Flow statement from large borrowers would comprise projected receipts and payments for the next 12 months as:

1. Receipts

- a. From business operations : Cash sales, collection from trade debtors and others (specify)
- b. From non-business operations : Dividend/interest on investments, sale of investments (specify), exchange fluctuations profits and others (specify)
- c. From capital accounts : Issue of shares and receipts on allotments, calls, forfeiture etc, issue of debentures/bonds/commercial paper, borrowings from Directors, friends, relative, from associates, borrowings from public and others (specify).
- d. From Sundry Items : Refund of tax/duty (specify), receipt of insurance claim and others (specify)

2. Payments

- a. For business operations : Cash purchases of inventory items, other manufacturing expenses, administrative and selling expenses, interest on business borrowings, advance payments and others

- | | | |
|----|-----------------------------|--|
| | | (specify) |
| b. | For non-business operations | Dividend/interest on investments, purchase of investments (give details) exchange fluctuation losses and others (specify) |
| c. | For capital accounts | Repayment of borrowings (principal amount) to directors, friends and relatives, repayment of borrowings (principal) to financial institutions, repayment of borrowings (principal) to Banks, purchase of fixed assets and others (specify) |
| d. | For sundry items | Payment of income tax, payment of other taxes/duty/penalty (specify) and others (specify) |

Under the cash flow technique, the peak level cash deficit will be the level of total working capital finance to be extended to the borrower by the Banking system. The peak level cash deficit will be ascertained from the 'projected cash budget statement', submitted by the borrower. This method of assessment of working capital is mainly used for seasonal industries and construction companies.

4.2.5.5 Funds Flow Technique:

Funds Flow Analysis is a very important source of information for a Lending Banker. While balance sheet gives information about the position of assets and liabilities of the unit on a particular day; the funds flow analysis gives information about the movement of funds between two periods.

Funds refer to economic power or purchasing power acquired by a unit during the period under consideration. An entrepreneur may bring cash into business by way of capital and purchase machinery for his unit. Alternatively, he may take a term loan from a Bank or a Financial Institution for purchase of machinery or may allot some shares to the machinery manufacturer and in exchange, may get his machinery. All the three methods generate sources of funds for a unit or create purchasing power for it.

Funds Flow Statement is a statement of sources of funds and uses of funds during a particular period. We take on hand two balance sheets of the same unit, say on 31st March, 1997 and 31st March, 1998 and by comparing the figures in the two, we can find out how the funds were generated for the unit and how they were used during the period from 1st April, 1997 to 31st March, 1998.

The image shows three handwritten signatures or initials in blue ink. From left to right: 1) A signature starting with 'B' and ending with 'J.' 2) A signature starting with 'S' and ending with 'L.' 3) A signature starting with 'J.' and ending with 'J.'

Part C – Securities/ Renewal of Limit and Loan Settlement

5. SECURITIES

5.1 Meaning:

Except the viability of the project and business, for securing the facility all the financial organization expect guarantee for relief from the risk inheriting at the business, that comes to be known as Security. Security may or may not be in tangible form. Security means any form of the guarantee that guarantees the facility from the risks inheriting at the business. Security is considered as insurance or a cushion to fall back in a worse case scenario. Apart from the above fact, taking of security serves as a safety value for an unexpected emergency. Security documents obtained must be perfect and enforceable as and when Bank desires to do so.

In other words, Banker ordinarily takes a cover for a facility and does not allow the facility without enough security. Hence, security means a guarantee or insurance against emergency.

5.2 Types of Securities

As mentioned above, taking securities means acquiring a claim to assets so that if repayment is not made as planned, the securities can be used to obtain repayment. Hence, security may be in any form, but that should guarantee the relief from the future threats that is inheriting at the business.

Securities for the Bank can be classified into two main categories : Primary Security and Secondary or Collateral Security.

a. Primary Securities

Primary securities may be either personal or impersonal security or both. Primary security is that which is considered as main cover for a facility and provided by the parties themselves.

i. Personal Security

In personal security, concerned person undertakes personal liability and in case of default, Bank has right of action to proceed against the personal guarantor personally. In other words, in personal security, persons' personal liability is presumed. Hence, personal security may be in the form of :

- Promissory Note
- Acceptance/Endorsement on Bills of Exchange
- Loan Agreement

ii. Impersonal Security

Impersonal security covers the charge created by way of pledge, hypothecation, lien and mortgaged over the borrower's tangible assets such as goods and commodities, fixed assets and bills receivable. In case of default, the Bank is empowered to proceed directly to dispose off the impersonal security. In the same manner, impersonal security may be in specific or continuing security. Specific security covers only the specified loans whereas continuing security continues to cover all type of existing dues and future dues that can be created

such as at overdraft accounts and cash credits account or in the contingent liability.

b. Collateral securities/Secondary securities

The collateral security is taken by the Banks to further secure the facility in addition to the primary security. Because of that, it is also considered as secondary securities. Secondary securities mostly taken at the tangible assets form, but it can be from the borrower's himself or from his/her family member/s as defined by NRB to this regard.

Except as explained above, in normal practice the following securities are to be obtained depending upon the nature of the advances allowing to the parties.

1. Treasury Bills, Development Bonds, NRB Bond, National Savings Bonds/Certificates
2. Fixed Deposit Receipt
 - a. Of own branch
 - b. Of other branches
 - c. Other financial Organization
3. Cheques, Draft, Pay Order/Managers Cheques
4. Listed Shares at Nepal Stock Exchange
5. Pledge of goods and products
6. Hypothecation of goods and products
7. Immovable Property
 - a. Land
 - b. Building
 - c. Structure
8. Movable fixed property
 - a. Factory, Plant, Machinery and equipment
 - b. Lease holds property
 - c. Transportation equipment
 - d. Communication equipment
9. Export Letter of Credit
10. Negotiable documents
11. Personal Guarantee

Each security has its own matching. Specific securities to be obtained while allowing funded and non funded facilities, which are listed below :

<u>Types of Facilities</u>	<u>Primary Securities</u>	<u>Secondary Securities</u>
Cash Credits	Hypothecation/Pledge of stock in trade/goods/products	Land/Building, Personal guarantee/corporate guarantee/machineries
Overdraft	Hypothecation over current assets/Shares/government paper/life insurance policies/FDR/fixed assets/work orders/financial guarantee	Land/Building, personal guarantee / corporate guarantee
Demand Loan	Hypothecation over current assets/Shares/government paper/life insurance policies/FDR/fixed assets/work orders/financial guarantee	Land/Building, personal guarantee/corporate guarantee
Pledge Loan	Pledge of stock, goods, products, fixed assets	Land/Building, personal guarantee / corporate guarantee, machineries

Hire Purchase Loan	Title deed of financed goods/equipments/vehicles/articles	Land/Building, personal guarantee/corporate guarantee
Bridge Gap Loan	Bridge over guarantee/financial guarantee/commitment letter from the term lending organization	
Consortium Loan	Project itself	Personal Guarantee of all the Directors/Promoters
Consumer/Personal Loan	Hypothecation of Financed goods/articles, equipments/vehicles	Land/Building, personal guarantee
Term Loan	Project itself along with all the immovable and movable fixed assets (Financed land/building/furniture /machinery/equipments) and current assets created for the Project	Corporate guarantee/personal guarantee of all the Directors
Loan against FDR	Lien on the respective TDR	Personal guarantee/corporate guarantee
Loan against Bond	Lien on the respective bond	Personal guarantee/corporate guarantee
Loan against shares	Lien on the respective share certificate duly informing stock exchange	Corporate guarantee/personal guarantee
Clean bills/cheque purchase	Endorsement of clean bills/cheque purchase/indemnity	Cash margin/personal/corporate indemnity
Letter of Credits - Export - Import	Shipping documents of export	Export Letter of Credits
Trust Receipts	Documents of Title to goods/equipments/vehicles/articles under import L/C	Fixed Assets/Personal Indemnity
Advance against Import Bills	Charge on document under Import L/C	Personal Indemnity/cash margin
Packing Credits	Hypothecation of goods/fixed assets	Fixed Assets / Personal Indemnity/corporate Indemnity
Pre Export Loan	Hypothecation of goods/fixed assets	Fixed assets/Personal Indemnity/corporate indemnity
Acceptance Liability	Hypothecation of goods imported under Usance L/C	Fixed Assets/Personal Indemnity
Forced Debt	Hypothecation of goods imported under Usance L/C	Fixed Assets/Personal Indemnity

Document/Bills Purchased	Charge on document	Fixed Assets / Personal Indemnity
Letter of Guarantee	Cash Margin/Personal/Corporate Indemnity	Fixed Assets/Personal Indemnity

5.3 Valuation of Security

A Lending Institution like bank has to safeguard its interest by taking an adequate security for the loans, and where necessary, by guarantees as well. In order to insure that the ability of borrower to discharge the loan out of future earnings is not impaired, suitable protective and restrictive measure are taken by the Bank are generally known as security, that may be in fixed assets, current assets, project itself or personal guarantee or other any form of risk inherited at the business, because of that proper assessment of such security is most important to the Banker. Assessment in terms of tangible and non tangible value of such securities are generally known as Valuation of Securities. Without valuation of securities, a Banker is not in a position to fix the drawing power/ limit after providing a margin. Valuation of securities is therefore very important from a bankers point of view. On a consecutive valuation of the securities the consecutive margin is maintained and drawing power and limits are determined.

There are number of method for valuing the securities. Valuation of securities may be based on market value, invoice value or controlled value. Valuation of securities may differ from the nature of securities. A Banker should ascertain the qualities of the security before accepting the same as primary or collateral security. Some of the qualities of good securities are as under.

1. Marketability
2. Executability
3. Ascertainment of Title
4. Stability of value
5. Storability
6. Durability
7. Easy Transfer of Title
8. Transportability
9. Yield

In case of existing practice in the Bank, acceptable securities for the Bank are as follows.

1. Goods and Commodities
2. Plant and Machinery
3. Land and Building
4. Documents of Title to Goods
5. Government Bonds
6. Banks Term Deposits
7. Shares and Debentures
8. Treasury Bills
9. Life Insurance Policy

5.4 Valuation Practice of the Securities

1. Gold / Silver

Valuation of gold and silver are carried out by way of ascertaining the average market value of the six months. But in our Banks policy there is no practice to

accepting the securities as gold and silver except for those loans under product paper of gold loans.

2. Government Securities, Shares and Debentures

Ascertainment of Government Securities, Shares and Debentures are carried out by way of ascertaining the average market value of the six month.

3. Agricultural Products

The value of the agricultural products are ascertained by way of market quotation and market value available at that time. If there is great fluctuation at the Market Price, Trend analysis should be carried out so as to attempt the nearest value.

4. Industrial Raw Materials

The value assessment of the industrial raw materials are carried out by way of invoice price/cost price or market price whichever is lower. For fixation of the prices of such products, Banker should be very careful about the quality, quantity landed price and all the duties to be borne by the clients for that raw materials.

5. Finished goods and stock in process

Finished goods with the manufacturer or with the dealer or with the stockiest must be valued at the cost price. Regarding the stock in process value to be ascertaining from the book of the manufacturer.

6. Plant and Machinery

The value of plant and machinery are ascertained on the basis of invoice value or existing market value, whichever is low. In case of old plant and machineries, depreciation should be deducted for distress value of plant and machineries.

7. Project

To ascertain value of any project, the value of fixed assets either movable or immovable will be ascertained as per existing policy and practice of the Bank.

8. Immovable Property

Valuation of immovable property should be done by an enlisted or approved valuator of the Bank. In case of the valuation of the land and building, following steps to be taken. :

- a. Selection of Valuator
- b. Agreement with the Valuator
- c. **Fixation of the value of the Immovable Property**

The value of the land will be calculated as per the weight mentioned below :

i. Government Rate

30% value of government will be taken for valuation of land.

ii. **Market Value**

70% value of current market rate will be taken for valuation of land.

The weightage taken for the distress value (DV) of land may be changed after instructions or approval from competent authority.

iii. **Margin**

The 60% funded facility of DV will be allowed to parties in general but this percentage of exposure may vary from party to party after approval from competent authority unless NRB stipulates otherwise coverage for some of loan categories explicitly viz. residential housing loan facilities etc.

Note: Valuation of property must be carried out as per the guidelines of "Basti Bikash, Sahari Yojana tatha Bhawan Nirman Sambandhi Adharbhut Nirman Mapdand, 2072"

5.5 Documentation:

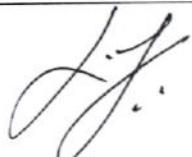
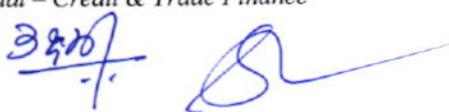
Funded and Non Funded facilities are granted by Bank against various types of securities, whether movable or immovable, or against personal securities of the borrower and against third party guarantee to secure the liability of a person, other than the borrower, to the Bank. Except above before execution of the sanctioned facility, Bank expects some legalized paper work to be completed to safeguard interest of the Bank, which is known as Documentation. Thus, the term documentation used to mean the execution of document in accordance of the nature of the facility depending upon the requirements in proper way and according to law. Document shall include any matter written, expressed or described upon any substance by means of letters, figures or marks or by more than one of those means, which is intended to be used, for the purpose of recording the matter. The types of documents required to be taken by Banks depend upon the types of customer and nature of facility proposed to be granted. Documentation is being increasingly important due to certain complex types of facilities that Banks are called upon to make. Therefore, the fundamental principle of documentation is that the integrity of the borrower and perfect documentation should always go together for the safety of the Bank interest. Proper documentation constitutes the legal security to the Bank that also assists the Bank to safeguard from the eventuality.

Bank documentation includes the following documents:

- a. Loan Sanction/Offer Letter
- b. Charge Documents
- c. Insurance Policies
- d. Mortgage Deeds
- e. Storing the Documents

5.5.1 Loan Sanction/Offer Letter

Facilities are sanctioned by the competent authorities within the framework of the Bank's rules and practices. For the execution of the sanction facility, Bank has to inform the concerned clients about all the formalities, terms and condition etc. of the Bank, and such are executed through the letter which is ordinarily referred as **LOAN SANCTION/OFFER LETTER**. For authentication of the sanction letter, there should be signature by two authorized signatories of the Bank and duly accepted by the concerned clients.



The sanction letter must constitute the followings:

Date	:	
Ref.	:	
Name of the Clients	:	
Address	:	
Sub.	:	
Dear Sir/Madam	:	
Description	:	
Type of the facility	:	Funded or non funded
Limit	:	Amount approved for drawdown
Purpose	:	Purpose of the sanctioned limit
Interest/Fees	:	Rate of interest/fees/commissions etc.
Mode of Disbursement	:	Loan repayment schedule if term loan is allowed/modes of repayment if other facility allowed
Service Charge	:	Percentage of service charge
Expiry	:	Period of Facility
Security details	:	1. Primary securities 2. Secondary securities
Other Terms and conditions/covenants		

General/Special Terms and Conditions with Instructions :

List of documents required to be executed/submitted for availing the sanctioned line of credit :

1. List of Charge Documents
2. Authorization Deed from property owner in favour of Subject Company
3. Adequate insurance coverage
4. Mortgaged immovable property
5. Stock hypothecated or pledge if required
6. Authorized Signature : Bank
7. Acceptance from the clients (by authorized personals signature/s with official stamp)

5.5.2 Charge Documents

Charge documents in terms of the Banker's view are legal documents taken for security purpose. Hence, charge documents denote a charging for security. Charging of security means making it available as a cover for an advance and facility. Not only has the security to be good but the method of charging it should be legal and perfect. Therefore, charge must be complete and all the formalities are complied with so that case of default by a borrower the security to be available to the Banker. However, it should be noted that whatever the form the charge may take, the Banker does not become the absolute or exclusive owner of the property: he has only equitable rights on it, until the dues are unpaid.

5.5.3 Various Modes of Charge

The common ways of charging the security are :

i. **Pledge**

Pledge is the bailment of goods as security for payment of debtor performance or promise. Hence, a pledge is said to be created when the goods are handed over by the borrower to the lender with intention of their being treated as security for the repayment of the dues. Bailment is the delivery of goods by one person to another for some purpose under the contract with the undertaking that the goods shall be returned or disposed off as per the authenticate documentation at the completion of the job.

ii. **Hypothecation**

Hypothecation is described as a "charge against the property for an amount of debt where neither ownership nor possession is charged. In hypothecation, goods remain in the possession of the borrower. In case of hypothecation, statements of stocks are periodically taken and such documents to be duly signed by account operator. Possession over the goods are duly taken by hypothecation deeds.

iii. **Mortgage**

A mortgage is the transfer of an interest in specific immovable property for securing the payment of money advanced by way of loan or facility. Immovable property includes land and things attached to the earth like trees, building and fixed machinery.

iv. **Lien**

Lien is the right of one person to retain the goods or a security belonging to another person until the debt due from the latter is paid to the former.

List of documents to be executed before allowing the different facilities

Except discussed above, within the banking practices, different documents are taken for compliance of the charge documents as described below as per requirement.

1.	Loan Deed	:	Annexure I
2.	Promissory Notes	:	Annexure II
3.	Letter of arrangement	:	Annexure III

4.	Letter of Continuity	:	Annexure IV
5.	Letter of Disbursement	:	Annexure V
6.	Letter of Installment	:	Annexure VI
7.	Guarantee Bond	:	Annexure VII
8.	Letter of Guarantee	:	Annexure VIII
9.	Cross Guarantee	:	Annexure IX
10.	Pledge Deed	:	Annexure X
11.	Letter of Indemnity	:	Annexure XI
12.	Mortgage Deed	:	Annexure XII
13.	Letter of Lien	:	Annexure XIII
14.	Letter of Pledge	:	Annexure XIV
15.	Hypothecation of Goods	:	Annexure XV
16.	Letter of Disclaimer	:	Annexure XVI
17.	Trust Receipt	:	Annexure XVII
18.	Hire Purchase Deed	:	Annexure XVIII
19.	Application for Bank Guarantee	:	Annexure XIX
20.	Hypothecation over Book Debts	:	Annexure XX
21.	Letter to Stock Exchange	:	Annexure XXI
22.	Authorization Deed	:	Annexure XXII
23.	Letter to Share issuing Co.	:	Annexure XXIII
24.	Letter of Agreement	:	Annexure XXIV
25.	General Indemnity Form	:	Annexure XXV

5.5.4 Insurance Policies

Insurance means payment of a premium/s to obtain financial recomposes if or when a particular event happens. All Assets whether it is current and or Fixed must be insured against fire, riot, strike, malicious damage, earthquake, flood, landslide, terrorism, etc. and burglary and house breaking. Insurance policies from all local insurance companies shall be acceptable unless advised otherwise. However, it would be preferred that insurance is done with a reputed/well established company.

1. Fixed Assets Insurance
2. Stock Insurance
3. Life Insurance Policies

5.5.5 Mortgage Deeds

When property like building / land is offered by clients as a security for the loan, the charge thereon is created by way of mortgage. In Nepalese context, mortgage of the property is carried out legally and in legal mortgage the mortgager transfers the title in respect of the mortgage of property to the mortgagee. The mortgage gets which is called a legal estate (Dristi Bandhak) in the property and is endowed with all sorts of rights and remedies which can, for the most part, be exercised on his initiative and there is no need to seek the cooperation of a mortgager.

Legal mortgage is created by a registered instrument ie. A registered mortgage deed.

For creating the legal mortgage deeds following documents to be collected.

1. Letter of property owner with acceptance to mortgage the property (Manjurinama).

2. Letter of approval from Company Registrar's office with approval to mortgage the property of company if property belongs to company with BOD acceptance (Manjurinama).
3. Title deed of the property (Lalpurja)
4. Property Transfer Deed "Ownership Transfer Deed".
5. Malpot Receipt of the current Fiscal Year "Tiro Tireko Rasid".
6. Certified copy of boundary of the property by Ward Office "Char Killa Pramanit" or competent authority.
7. Blueprint of Land "Survey Map".
8. Authorization of Property Owner.
9. Bankers Inspection Report
10. Valuation Report
11. Approved copy building / structure from concerned authority "Nagarpalika/Gaown Bikash Samittee".

(All the Formats of the Forms)

5.5.6 Disbursement

After completion of all the formalities of the sanction of limits, Bank does have some formalities for allowing the limits at the computers which are performed through the disbursement procedures. For completion of the disbursement of the limits a form is presented to the competent authority with full information of the completion of documentation.

5.6 Annual Review of Credit Limits

All Loans and Advances granted to the borrowers need to be reviewed annually. The gap between two annual reviews of the borrower shall not be more than one year. Annual Review of the Borrower's account will help the Bank to understand the status of the borrower and appropriate strategy can be taken on the account on time. While conducting annual review of the facilities, the credit officer shall peruse the facilities based on the methods subscribed in **Internal Credit Risk Rating Guidelines (ICRRG)** and grading must be allocated in each credit file separately. In case of group business concerns case to case scrutiny for each unit shall be applied for grading purpose.

Based on the grading of the account Bank shall adopt strategies on the account which may be as follows:

- i) "A" Grading-Grow the relationship – Continue the present level of exposure on the Borrower and increase the Banks exposure whenever opportunity arises.
- ii) "B1/B2" Grading- Hold the Relationship – Continue the present level of exposure on the borrower, but no further increment of the exposure

- iii) "C/D" Grading-Exit the Relationship – Exit the relationship with the Borrower whenever opportunity arises

Annual Review of the Account must be conducted within 12 months period from the loan approved and/or last review date. Even if the interest/installment are overdue, review of the account must be conducted. Appropriate strategy must be recommended in annual review memorandum viz. continuing the existing facilities for further period, call back the facilities, etc. Annual review process of the account must be planned well before the review due date/expiry date so as to complete review process on or before the due date. However, if annual review of the account can not be completed within the due date, **EXTENSION** of the facilities/review date must be obtained from the approving authority; however such extension will not be permitted for more than **90 days** from the expiry/due date. Such extension shall be obtained before the expiry of the facilities with appropriate justification for the extension. The request for review extension can be taken in one page memorandum.

Exception for Annual Review

Following facilities are exception from conducting annual review

- Consumer Loans viz. Hire Purchase and Housing Loan
- Ad-hoc facilities
- Staff Loans

However branch authority in case of above loans (except staff loans), having delinquent status, may have urgent review at any point of time of the facility as and when required.

5.7 Loan Settlement

Loan Settlement Procedure

Disbursed Loan can be settled in the following ways :

1. Settlement of Interest portion only.
2. Settlement of Principal amount only partially or fully.
3. Settlement of interest and principal.

A. Loans maintained by Credit Department only :

1. Settlement of interest only.

- a. In case of capitalized interest.

In case of Overdraft and Cash Credit facilities, interest can be adjusted directly by the Party by deposit of cash in party's Overdraft and Cash Credit accounts.

In case of other loans, the settlement will be done by debiting the party's current/savings accounts and crediting the loan account as follows:

Dr. Party's Nominated Account
Cr. Party's Loan Account

b. In case of accrued interest

For all credit facilities, pass following entries:

Dr. Party's nominated account (Current/Savings/OD/CC)
Cr. Accrued Interest for the particular loan type
Cr. Loan account (OD, CC, Loan account)

2. Settlement of Principal amount only.

In case of OD and CC facilities, the principal amount can be settled directly by the party by deposit of cash in party's O/D and CC accounts.

In case of other loans, the settlement will be done by debiting the party's current/savings account and crediting the loan account as follows :

Dr. Party's nominated account
Cr. Party's loan account.

3. Settlement of Principal and Accrued Interest

In this case, the accrued interest has to be settled first which will be added to the principal amount. The total outstanding shall then be settled by debiting the required amount from the nominated account in the case of the other loans while in case of overdraft and CC, the required amount is to be deposited by the Party directly in the said account taking following steps:

Step – 1 For accrued interest settlement for ally types of loan

Dr. Party's Loan account (OD, CC or other Loan account)
Cr. Accrued interest for the particular loan type.
Dr. Party's Loan account (OD, CC or other Loan accounts)
Cr. Party's Loan account (OD, CC or other loan accounts)

Step – 2 The total loan outstanding after the settlement of the accrued interest shall be settled as follows except Overdraft and Cash Credit Loans.

Dr. Party's nominated account (savings/current)
Cr. Party's Loan account

B. Loans maintained by Trade Finance Department

All loans maintained by Trade Finance Department are maintained with Deal Feature, where each deal has particular Deal Reference Number. To settle interest and / or principal of any deal, take following steps :

1. Go to Deal Transactions in the Transactions Options
2. Type the Reference Number of the Deal of which the interest and / or principal is to be settled.

Part D – NRB Guidelines for Credit Related Issues

6. NRB guidelines for Credit Related Issues

6.1 CLASSIFICATION OF LOANS AND ADVANCES

Effective FY 2058/59 (2001/02), banks shall classify outstanding Loan and Advances on the basis of aging of principal amount. Loans and Advances shall be classified into the following 4 categories with an insertion of WATCH LIST category in between PASS and SUBSTANDARD catagories with effect from 071/72

PASS

Loans and Advances whose principal amount are not past due and past due for a period up to 3 (three) months shall be included in this category. These are classified and defined as **Performing Loans**.

WATCH LIST

"Pass loan" category loans having following conditions are subjected to watch list category;

- a) Principle or Interest overdue by 1 month.
- b) Validity extension temporarily done owing to non renewal of STL or working capital loans on time.
- c) Loans extended to the client having Non Performing loans in other BFIs.
- d) Firms, Company or Institution having negative cash flow or net worth for consecutive two years despite regular in principal and interest repayment.

SUBSTANDARD

All loans and advances that are past due for a period of 3 months to 6 months shall be included in this category.

DOUBTFUL

All loans and advances that are past due for a period of 6 months to 1 (one) year shall be included in this category.

LOSS

All loans and advances which are past due for a period of more than 1 (one) year as well as advances which have least possibility of recovery or considered unrecoverable and those having thin possibility of even partial recovery in future shall be included in this category.

Loan and Advances falling in the category of Sub-Standard, Doubtful, and Loss are classified and defined as **Non-Performing Loan**. Effective from 071/72 Rescheduled and/or Restructured loans are also defined as Non-Performing Loan.

Note:

If it is appropriate in the views of the bank management, there is no restriction in classifying the loan and advances from low risk category to high-risk category. For instance, loans falling under watch list may be classified into Sub-Standard and likewise Sub-Standard may be classified into Doubtful or Loss, and loans falling under Doubtful may be classified into Loss category.

The term Loan and Advances also includes Bills purchased and Discounted.

SUBMISSION OF RETURN RELATING TO CLASSIFICATION OF LOAN AND ADVANCES

Bank shall prepare the statement of outstanding Loans and Advances classified on the basis of aging and shall submit the particulars, as of the end of Asoj, Paush, Chaitra and Ashad, as per the Directives Form No. 3 to Nepal Rastra Bank (Banking Operations Department and Inspection and Supervision Department) within 1 (one) month from the end of each quarter. Loans shall be classified in the following four classifications on the basis of their aging.

Classification	For FY 2060/61 2003/04	FY 2061/62 2004/05 Onwards
**Pass	Loans not Past due and past due up to 3 (three) months.	Loans not Past due and past due up to 3 (three) months.
Sub-Standard	Loans and advances past due for a period of over 3 months to 9 months.	Loans and advances past due for a period of over 3 months to 6 months.
Doubtful	Loans and advances past due for a period of over 9 months to 2 years.	Loans and advances past due for a period of over 6 months to 1 year.
Loss	Loans and advances past due for a period of over 2 years.	Loans and advances past due for a period of over 1 year.

**Watch list loans are also Pass Category loans however having characteristics as explained in 6.1 above.

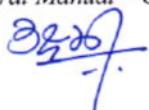
The respective overdue periods of PASS, Sub-Standard and Doubtful loans shall be considered for higher classification from the next day of the date of expiry of the overdue period provided for each class.

Whatever is written above, classification of loan shall be done as per the directives and circular of Nepal Rastra Bank.

ADDITIONAL ARRANGEMENT IN RESPECT OF PASS LOAN

Loans and advances fully secured by gold, silver, fixed deposit receipts and HMG securities shall be included under "Pass" category.

However, where collateral of fixed deposit receipt or HMG securities or NRB Bonds is placed as security against loan for other purposes, such loan has to be classified on the basis of aging per Clause 2.



Loans against FDRs of other banks shall also qualify for inclusion under PASS

ADDITIONAL ARRANGEMENT IN RESPECT OF WATCH LIST LOAN

Loans under watch list are basically a PASS CATEGORY loans catagorised under the provision requirement above 1% upto 5% on aging basis of the loans characterized by the status as explained in WATCH LIST category above.

ADDITIONAL ARRANGEMENT IN RESPECT OF "LOSS" LOAN

Even if the loan is not past due, loans having any or all of the following discrepancies shall be classified as "Loss."

1. No security at all or security that is not in accordance with the borrower's agreement with the bank,
2. The borrower has been declared bankrupt,
3. The borrower is absconding or cannot be found,
4. Purchased or discounted bills are not realized within 90 days from the due date.
5. The credit has not been used for the purpose originally intended, even partial diversification is not allowed
6. Owing to non-recovery, initiation as to auctioning of the collateral has passed six months and if the recovery process is under litigation.
7. Loans provided to the borrowers included in the blacklist and where the Credit Information Bureau blacklists the borrower.
8. Bills Purchased/Discounted are to be classified into LOSS loan where they are not realized within 90 days from due date. This is departure from the normal classification rules applicable to other loans. Accordingly, Bills would have only two classifications viz., PASS and LOSS.

ADDITIONAL ARRANGEMENT IN RESPECT OF TERM LOAN

In respect of term loans, the classification shall be made against the entire outstanding loan on the basis of the past due period of overdue installment.

Contingent liabilities of the bank e.g., letters of credit, un-matured guarantees shall also be classified as per the classification norms applicable to loans, advances, and accordingly be provided with requisite provisioning.

6.2 LOAN LOSS PROVISIONING

The loan loss provisioning, on the basis of the outstanding loans and advances and bills purchases shall be provided as follows:

<u>Classification of Loan</u>	<u>Loan Loss Provision</u>
Pass	1 Percent
Watch List	**5 Percent
Substandard	25 Percent
Doubtful	50 Percent
Loss	100 Percent

** Periodwise break down of provisioning requirement shall be as follows;

S.N.	Duration	Provision required
1.	2071 Chaitra end	1.5%
2.	2072, Asar end	2%
3.	2072,Asoj end	2.5%
4.	2072, Poush End	3%
5.	2072, Chaitra End	3.5%
6.	2073,Asar End	4%
7.	2073, Ashoj End	4.5%
8.	2073, Poush End	5%

As per the improvement such loans can be re-categorized into PASS loan category.

Loan loss provision set aside for Performing Loan is defined as "General Loan Loss Provision" and Loan loss Provision set aside for Non-performing loan is defined as "Specific Loan Loss Provision".

Where the banks provide for loan loss provisioning in excess of the proportion as required under the directives of NRB, the whole amount of such additional provision may be included in General Loan Loss Provision under the Supplementary Capital.

ADDITIONAL PROVISIONING IN THE CASE OF PERSONAL GUARANTEE LOANS

Where the loan is extended solely against personal guarantee, a statement of the assets equivalent to the personal guarantee amount not claimable, shall be obtained. Such loans shall be classified as per above and where the loans fall under the category of Pass, Substandard, and Doubtful, in addition to the normal loan loss provision applicable for the category, an additional provision by 20-percentage point shall also be provided. Classification of such loan and advances shall be prepared separately.

In respect of the loan loss provisioning, credit and non-funded facilities extended to the Promoters or Shareholders in the Promoters Group of the bank holding less than 1% of the total issued capital shall require provisioning at double the percentage of requisite provisioning as per the existing rules.

6.3 RESCHEDULING AND RESTRUCTURING OF LOAN

In respect of loans and advances falling under the category of Substandard, Doubtful, or Loss, banks may reschedule or restructure such loans only upon receipt of a written Plan of Action from the borrower citing the following reason:

1. The internal and external causes contributing to deterioration of the quality of loan.
2. The reduced degree of risk inherent to the borrower/enterprise, determined by analyzing its balance sheet and profit and loss account in order to estimate recent cash flows and to project future ones, in addition to assessing market conditions.

3. Evidence of existing of adequate loan documentation.
4. An evaluation of the borrower/enterprise's management with particular emphasis on efficiency, commitment, and high standards of business ethics.

Banks may reschedule or restructure loans by themselves even if the minimum 25% interest as above is not paid. However, banks shall provide for loan loss provision on such rescheduled or restructured loans on the basis of the overdue period as per the prevailing arrangement.

Loan Loss Provisioning in respect of rescheduled, restructured or swapped loan

Except for Deprived sector loans, in respect of all types of rescheduled or restructured or swapped loan, if such credit falls under PASS category according to Nepal Rastra Bank's directives, loan loss provisioning shall be provided at minimum of 12.5%.

1. In case of rescheduling or restructuring or swapping of insured or guaranteed priority sector credit, the loan loss provisioning shall be provided at one-fourth of the percentage mentioned in Clause (a).
2. In respect of swapped loans, the bank accepting the loans in swapping has to provide loan loss provision classifying the loan under the same classification as were existing. The bank accepting the loan in swapping shall obtain certification from the concerned bank or financial institution as to the existing classification."
3. Separate statement shall be prepared for loans classified and provision made as above.

PROVISIONING AGAINST DEPRIVED SECTOR CREDIT

Full provisioning as in pre page shall be made against the uninsured deprived sector loans. However, in respect of insured loans, the requisite provisioning shall be 25% of the percentage stated thereof.

PROVISIONING AGAINST NON-BANKING ASSETS

1. Where the banks have, failing to dispose the collateral properties in auction, taken into possession of such assets, the loan loss provisioning provided on the related loans should not be recognized into income unless such non-banking assets are converted into cash by disposing them as per rules. The amount of Loan Loss Provisioning has to be disclosed in a separate column while preparing the Statement of Non-Banking Assets.
2. Where the mortgaged properties put on auction has to be accepted by the banks themselves, such loans must have been provided Loan Loss Provisioning at 100 percent.

ACTIONS IN CASES OF NONCOMPLIANCE

In cases where a bank has been found not complying the regulations in respect of loan classification and provisioning, Nepal Rastra Bank may ask for clarification. If the bank's response is not satisfactory, Nepal Rastra Bank shall initiate action, exercising its authority under Section 99 and 100 of Nepal Rastra Bank Act, 2058, as follows:

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1. Under Section 99 : *Penalty up to the extent of amount involved, including to the director, executives and employees.*
2. Under Section 100 : *Reprimand, obtain commitment of Board of Directors, issue written orders to stop repeated violations, suspend or call off services of NRB, restrict dividend distribution, suspend acceptance of deposit and extension of credit, restrict partially or wholly the transactions of banks, suspend or cancel banking license, including reprimanding or suspending staffs, fine up to Rs. 5,00,000.00 cease payment of remuneration, and issue requiring to terminate services of directors/staffs.*
3. Section 101: has provided procedures for imposing for such penalty and actions.

6.4 REQUIRED LENDING

DEPRIVED SECTOR LENDING

Deprived sector lending shall be extended as per the guidelines of NRB from time to time. Bank may extend the deprived sector lending in following manner;

Direct investments made by the commercial banks themselves in income generating/ employment oriented programs;

1. Investments made by commercial banks in share capital of Rural Development Banks (*previously such investments in share capital of such banks were treated as priority sector lending only*)
2. Investments made by commercial banks in share capital of Rural Micro-finance Development Center and other development banks established with an objective to extend credit to deprived sector
3. Advances to the Rural Development Banks and other development banks engaged in the similar poverty alleviation programs. Advances to Small Farmers Development Bank Ltd. has been included
4. Advances to Cooperatives, Non-governmental Organizations, and Small Farmers Cooperatives approved by Nepal Rastra Bank for carrying out banking transactions.
5. Advances to Micro-finance Institutions/ (Rural Development Banks and other financial institutions, co-operatives and non-governmental organizations approved by Nepal Rastra Bank for financial intermediation) stipulating the condition to disburse such credit to deprived sector only
6. Loans extended by commercial banks to Development Banks engaged in micro credit activities with stipulated condition to disburse the credit only to the deprived sector up to Rs. 30,000 a family shall be eligible for the purpose of inclusion under Deprived Sector Credit

PROHIBITION TO ACCEPT LOAN AMOUNT IN DEPOSITS

Loan provided by a bank to Rural Development Bank, Co-operative Societies and Non-Governmental Organizations approved by Nepal Rastra Bank (which otherwise fall under the deprived sector credit), such loan shall not be considered falling under the deprived sector credit where the loan providing bank accept the loan amount into the fixed deposit of the same bank and pledge the Fixed Deposit Receipt as collateral against such loan.

Applicability of Single Borrower Obligor Limit

In extending Deprived Sector credit through Co-operatives or non-governmental organizations approved by NRB for financial intermediation or other financial institutions, all regulations pertaining to **single borrowers obligor limit** as prescribed by NRB from time to time shall be observed.

LIABILITY ON FAILURE TO FULFIL /DEPRIVED SECTOR LENDING

Where the banks do not extend credit as per above or fall short of the requirement, penalty on such short fall amount **at the maximum prevailing lending rate of the bank during the examination period** shall be imposed under Sub-Section 2 of Section 81 of Nepal Rastra Bank Act, 2058.

RETURNS TO BE FILED

Banks shall be required to submit quarterly return within 30 days to Inspection and Supervision Department of Nepal Rastra Bank concerning disbursement of credit under deprived sector, recovery situation, outstanding balance, and overdue portion out of such outstanding loan in the form Bai. A. Fa. No. 2 (ka) with respect to the credit extended through institutions.

MSME (Micro Small Medium Enterprises)

"MSME" is defined to include micro and small enterprises which help increase production, employment and income as prioritized under the national development plans with an objective to uplift the living standard of general public particularly the deprived and low income people by progressively reducing the prevalent unemployment, poverty, economic inequality and backwardness. Micro and Small Enterprises are classified into Agricultural enterprises, Cottage and Small Industries and Services. In addition, other businesses as specified by Nepal Rastra Bank from time to time are also included under Micro and Small Enterprises. All credits extended to SMEs up to the limit specified by the Board of the Bank are termed as "SMEs."

6.5 SINGLE OBLIGER/BORROWERS LIMIT

Commercial banks may extend to a single borrower or group of related borrowers the amount of **FUND BASED** and **NON FUND BASED** loans and advances up to **25 percent of the Core Capital Fund**. However for further deviation to this limit shall be done as per relevant NRB Directives no. 3/072 and time to time amendments thereof.

The single obligor limit of credit and facilities to a customer of the bank has to be calculated on the basis of the capital fund as exhibited by the last quarter balance sheet duly certified by the internal auditor of the concerned bank.

DEFINITION OF CORE CAPITAL

The definition of Core capital includes the following:

- i. Paid Up Capital
- ii. Share Premium
- iii. Non-Redeemable Preference Shares
- iv. General Reserve Fund
- v. Accumulated Profit and Loss Account

Where a customer has once utilized the off-balance sheet facilities and such facilities have turned into fund-based credit, directives relating to fund-based credit limit shall be applied for fixation of limit to such customers.

EXEMPTION IN LIMIT OF CREDIT AND FACILITIES

The exposure limits above **shall not be applicable** in respect of the following:

- Credits and facilities extended against fixed deposit receipts, deposits placed with the bank, HMG securities, NRB Bonds as well as against unconditional guarantees issued by the World Bank, Asian Development Bank, and International Finance Corporation including multilateral institutions and loan advances and facilities extended against unconditional guarantees issued by internationally rated banks having rating of at least A+ by reputed Rating Agency or banks specified as first class banks by Nepal Rastra Bank from time to time.
- Advances and facilities to be used for the purpose of importing specified merchandise by the following public corporation:

<u>Name of Corporation</u>	<u>Merchandise</u>
Nepal Oil Corporation	Petrol, Diesel, Kerosene, and L. P. Gas
Agriculture Input Corporation	Fertilizer, seeds
Nepal Food Corporation	Cereal

GROUP OF RELATED BORROWERS

For the purpose of the above prescribed exposure limits, "group of related borrowers" shall be treated as a single group under the following circumstances:

- Where a company holds 25% or more shares in another company, then both of such companies; or
- Director of a company, shareholders of a private company and spouse, son, daughter-in-law, unmarried daughter, adopted son, unmarried adopted daughter, parents, stepmother and dependent brother, and sister of such director or shareholders, living jointly or separately. In addition, where such persons themselves or by their relatives jointly or severally hold 25 percent or more shares of another company, then such companies.
- Firm, company stated to be associated as a group, or members of such group, or
- Even if the director, shareholder, or other relatives as specified above, holds, jointly or individually, less than 25% shares of another company, but the management of that other company is controlled by the following ways, then such companies:
 - (a) By being Chairperson of the Board of Directors;
 - (b) By being the Chief Executive of the Company;
 - (c) By appointing more than 25% of the directors;
- Where one borrower or company gives a cross guarantee to another borrower or company, then such companies. Exceptions are there for Hydropower Projects. Please vide relevant NRB Directives no.3/072 and time to time amendments thereof.
- Where bank has provided loans to more than one person on the same security/collateral.
- The banks shall prepare the records of the single borrower and related customers on half-yearly basis and submit to Nepal Rastra Bank, Banking Operations Department, Inspection, and Supervision Department.

6.6 BLACK LISTING AND FILING RETURNS TO CIB

The hitherto existing Credit Information Bureau under the Nepal Bankers Association itself has been named as Credit Information Center (Center) under Section 88 of Nepal Rastra Bank Act, 2058 and Rule 3 of Nepal Rastra Bank Credit Information Bylaws, 2059.

RETURNS TO BE FILED WITH THE CENTER RELATING TO BORROWERS

Commercial Banks and Financial Institutions shall regularly submit to the Center particulars relating to loans/facilities approved for Rs. 1 million and above as provided in Ka.Su.Fa. No.-1 within 15 days from the close of each month, and submit quarterly statement as provided in Ka.Su.Fa. No.-2 within 15 days from the close of Asad, Aswin, Paush, and Chaitra month till such time the loan is repaid in full. Where any particular in Ka.Su.Fa. No.-1 submitted to the Center earlier has changed or loan is repaid or overdue loan is regularized or due date is extended or rescheduled, information as to the same shall be submitted compulsorily to the Center within 15 days.

Statements to be submitted by Central and Regional Offices

Where the amount of the loan/facility obtained by or approved to any borrower from an office/branch of a commercial bank or financial institution is less than Rs. 1 million, but the aggregate amount of credit extended/approved to that customer by various branches under the same Regional Office or branches falling under various Regional Offices amounts to Rs. 1 million or more, the particulars as per Ka.Su.Fa. No. 1 and 2 shall be submitted to the Center within 15 days from the close of each quarter. The returns shall be submitted by the Head Office where such loans fall under various Regional Offices, and by Regional Office where such loans fall under one Regional Office.

Obtaining particulars of the Customers

Prior to allowing the loan/facilities for Rs. 1 million or above by the commercial banks and financial institutions to any individual, firm, company or organized institution, the following particulars of the borrower customer has to be obtained:

In the case of **individuals**, copy of citizenship, permanent and temporary address, particulars of three generations inclusive of members of undivided family.

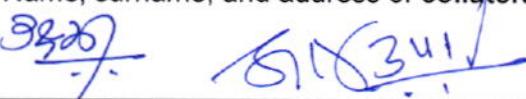
In the case of **proprietorship**, particulars of the proprietors and name, surname and address of the authorized person to carry on business on behalf of the firm.

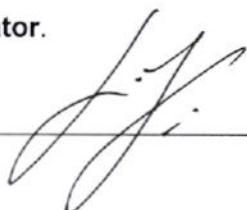
In the case of **partnership**, particulars of partners and name, surname and address of the authorized person to carry on business on behalf of the firm.

In the case of **private company**, particulars of director and all shareholders of the company and name, surname and address of the authorized person to carry on business on behalf of the firm.

In the case of **public company**, particulars of directors and shareholders holding 10 percent or more shares and name, surname and address of the authorized person to carry on business on behalf of the firm.

Name, surname, and address of collateral valuator.





CREDIT INFORMATION TO BE COMPULSORILY OBTAINED

All commercial banks and financial institutions prior to extension of new credit, renewal of old credit, restructuring or rescheduling of credit of Rs. 500,000 or more shall compulsorily obtain credit information about the borrower/ customer from the Center. In case of receipt of request for credit information, the Center shall furnish such information within a maximum of 5 working days. For the purpose of extension of credit/facilities to any customer/ borrower, once the credit information from the Center as is received, obtaining information from other agencies shall not be required. For the credit information received from the Center under this Section, the commercial banks and financial institutions shall pay fee to the Center as prescribed by the Center.

CONDITIONS FOR INCLUSION IN BLACK LIST

Customers who have received loan/facility of Rs. 1 million and above from the bank and the related parties shall be included in the black list in the event of existence of any or all of the following conditions:

- If payment of principal or any installment of principal or interest is overdue by 6 months (including overdue in payment of any one loan where the customer is enjoying various credit/facility), However, the Board of Directors of the concerned commercial bank or financial institution may, depending on the prevalent situation, extend the period by up to 3 months.
- If misutilization of the credit and facility is certified,
- Whether or not the payment of principal or interest become overdue, if the value of mortgaged merchandise/security (including pledge, hypothecation) (as provided by the concerned commercial bank or financial institution) does not cover the principal and interest of the loan or where the security is insignificant or does not exist or certified missing,
- If misutilization of the goods placed in security is certified,
- If the borrower disappears,
- If the borrower is bankrupt,
- If, in course of debt recovery, the bank has published notice against the borrower for auctioning of collateral or the bank has filed lawsuit in the court of law against the borrower.
- If proved guilty by the court of law for cheating or attempt to cheat through use of counterfeit documents and instruments like cheque, draft, foreign currency, credit card, bills,
- If any individual, firm, company or organized institution is proved guilty of involvement in offences relating to banking and financial matters.

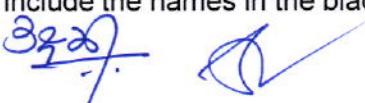
INDIVIDUALS, FIRM, COMPANY AND ORGANIZED INSTITUTIONS LIABLE TO BE INCLUDED IN THE BLACK LIST

In the situation where inclusion in the black list prevails on account of prevalence of any or all conditions mentioned in pre page, the borrower individual, firm, company or organized institution and related other parties shall be included in the Black List as follows:

- The **borrower** individual, firm, company or organized institution that has obtained the credit/facility.
- **Proprietor** of the proprietorship firm.
- **Partners** of the partnership firm.
- Where the proprietor or partner of the firm, and directors of the company has delegated authorities to any person for business operations and such authorized person has obtained credit/facility from the commercial bank and financial institution, then such **authorized person**.
- The individual, firm, company, or organized institution **that has provided guarantee** to the credit/facility extended to any individual, firm, company or organized institution. However, prior to including the guarantor in the black list, the commercial bank and financial institution shall serve him a notice of 35 days for settlement of the guaranteed amount. He shall be included in the black list if the transaction is not regularized within such notified period.
- **Directors** of the company/organized institution.
- **All shareholders** of the private company.
- **Shareholders** holding 10% or more shares of the public company.
- Where the black listed individual or institution holds individually or on institutional basis 10 percent or more shares of any other firm/ company/organized institution, then such **other firm/company/organized institution**.
- Where the **representative** of a black listed individual or institution is director in any other non-government firm/company/organized institution, then such **other firm/company/organized institution**.
- **Individual, firm, company, or organized institution** having inter-relationship and falling under one group as per the directives of Nepal Rastra Bank.
- Individual, firm, company or organized institution that has provided **cross-guarantee** to the customer. However, in the case of counter guarantee or partial guarantee, where the guarantee amount has been settled, this arrangement shall not be applicable for other outstanding *loans* of the borrower.
- If the case of death of the borrower, the commercial bank, and financial institution may, by assigning the liability to the individuals who receive the assets of the deceased, provide suitable time period [*for settlement of loan*] to the individuals who assume such liability. Where assumption of liability is denied or failed to pay or regularize the loan within the time period thus provided, such individuals shall also be included in the black list.

PROCEDURE FOR INCLUSION IN THE BLACK LIST

Once the condition mentioned in the directive is fulfilled, the commercial banks and financial institutions shall compulsorily recommend to the Center for including in the black list. Once such recommendation for inclusion in the black list is received from the concerned commercial bank and financial institution, the Center shall, after confirming, include the names in the black list.




SITUATIONS BEYOND THE CONTROL OF THE BORROWER

Where the request of the borrower is received expressing his inability to pay principal and/or interest in time owing to prevalence of difficulties on account of existence any of the following abnormal situations which is beyond his control and if such statement is considered appropriate, the Board of Directors of the banks and financial institutions may recommend for not including such customer in the black list. However, the basis of the decision leading to such recommendations shall be substantiated clearly.

PROHIBITION TO EXTEND CREDIT BY COMMERCIAL BANKS AND FINANCIAL INSTITUTIONS TO BLACK LISTED BORROWERS

Commercial banks and financial institutions licensed by Nepal Rastra Bank shall not give new loans/facilities, extend additional loan/facilities, renew loan/facilities or in case of installment loan, release the balance installments to the firm, company or organized institution, individual who are included in black list as per this directive and to the members of their undivided family, proprietor, partner, director, of such firm, company or institution, including all shareholders of private company and shareholders holding 10% or more shares of the public company.

SPECIAL ARRANGEMENTS RELATING TO COLLATERAL VALUATORS

Where, in the course of auctioning the mortgaged property by any commercial bank or financial institution, the realizable amount is less than two third the amount of value assigned by the valuator, the Center shall also black list such valuator at the recommendation of the commercial bank and financial institution. Such black listed valiators shall not be eligible for engagement in valuation of collateral mortgaged with any commercial bank and financial institutions licensed by Nepal Rastra Bank. If the borrower, the collateral of which has been valued, is removed from the black list, the Center shall also remove the name of valuator from the black list who has done valuation of the collateral pertaining to such loan. The Board of Directors of the concerned commercial bank or financial institution is convinced that the reason for realization of less than two third of the amount of valuation of collateral in auction is due to the existence of situation beyond the control of the valuator, it may decide not to recommend the valuator for placing in the black list.

REMOVAL FROM THE BLACK LIST

In case of occurrence of any of the following situations, the concerned commercial bank or financial institution shall submit recommendation to the Center within 3 days for removal of the customer's name from the black list. On the basis of receipt of such information, the Center shall remove the name of such borrower, guarantor and other related parties from the black list. Information of such removal from the black list shall be given by the Center to all commercial banks and financial institutions within 3 days.

- Principal and interest of overdue loan are paid.
- The Board of Directors of the concerned commercial bank or financial institution has, considering appropriate, extended the maturity period of the credit, rescheduled, or restructured within the guidelines of Nepal Rastra Bank.
- The Board of Directors of the commercial bank or financial institution has approved assignment of the loan liabilities to other individual, firm, company or organized institution (where the black listing is removed thus, the individual, firm, company or organized institution accepting the liability shall be given a time period of up to 1 year and if the loan/facility is not repaid or not regularized within

that period, such assignee individual, firm, company or organized institution shall also be included in the black list).

CONSORTIUM LOANS

In respect of consortium loans, the lead commercial bank or financial institution has to recommend the Center for inclusion of the concerned borrower in the black list. Upon receipt of lead commercial bank or financial institution's recommendation, the Center shall include such borrower in the black list. Where the lead commercial bank or financial institution does not recommend to the Center as per this guidelines, other [consortium] member commercial bank or financial institution may also make such recommendation. In such a circumstance, the lead bank shall be termed as not having fulfilled its obligation and accordingly action under section 100 of Nepal Rastra Bank Act, 2058 will be initiated against such lead bank.

SERVICE OF NOTICE PRIOR TO INCLUDING IN BLACK LIST

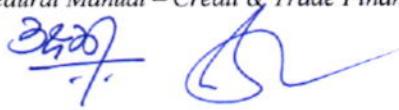
Prior to including any borrower or all other related parties to the credit in the black list, the concerned commercial bank or financial institution shall serve a notice of at least 35 days to the concerned borrower or all other related parties to the credit explaining the reason for inclusion in the black list. It shall also be mentioned in the notice that if the borrower does not pay the loan or regularize within the period mentioned in the notice, it shall be liable for black listing.

OBTAINING ACCEPTANCE OF BORROWER OR GUARANTOR

At the time of extending loan/facility to any borrower, it shall be compulsory for the concerned commercial bank or financial institution to obtain written approval from the borrower and guarantor agreeing to be included in the black list of the Center as may be warranted by the prevalence of situations explained as above. *This relates to new loans extended or rescheduled/restructured or regularized after the issuance of this new directive.*

RETURNS TO BE SUBMITTED TO CREDIT INFORMATION BUREAU (CIB)

FO R M N O	FORM TYPE	PERIOD	CONTENTS
Ka . Su. Far . No . 1	General Information on individual borrower wise Advance/ facilities	At the time of approval/disbursement of credit, amendments thereof by branches. NEED TO BE FILED ONCE WITHIN 15 DAYS FROM APPROVAL/DISBURSEMENT OF CREDIT/ FACILITIES (repeat if particulars included in the original return changed.)	General information regarding the Name, nature of business, and other relevant disclosures of the borrower and credit/facilities approved.
Ka . Su. Far . No . 2	STATEMENT OF OUTSTANDING CREDIT AND FACILITIES	Quarterly within 15 days by branches.	Particulars of outstanding loan and faculties



	Any other information as requested by Credit Information Centre	
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Part E - Reporting and Accounting Entries

7.1. Reporting:

Every branch of the bank shall require to file regular return related to credit to the regulatory body as per the provisions of their guidelines before due date. Submission of the mandatory return on time is very crucial because non-submission of the same on time attracts cash penalty as per the clause under recently enacted Bank and Financial Institution Act 2060.

The following returns related to the credit are required to be lodged with Nepal Rastra Bank within the due date mentioned in the guidelines issued by the regulatory body.

Form No.	Type Of Return	Period
3.1	Statement of Sectoral loans & advances	Monthly
9.3	Statement of Credit by Purpose and Sector	Monthly
9.3ka	Statement of Productwise Loan & Advances	Monthly
9.4	Statement of Credit by Types of Security	Monthly
9.5	Statement of Deprieve Sector Credit	Quarterly
9.6	Statement of Credit to Directors/Promoters/Employees/Shareholders holding >1%	Quarterly
9.61	List of Promoter share pledged	Quarterly
9.7	Statement of Credit to Public Enterprises	Monthly
9.11	Statement of Credit to Large Borrowers(exceeding Rs.10.00Mn. or More, includes group as well)	Quarterly
9.12	Statement of Past Due Credit	Quarterly
9.18	Statement of Interest Rate wise Credit	Monthly
17.1	Statement of Agriculture,Energy,Tourism and Cottage & Small Industries Sector Loans & Advances	Monthly

7.2 Accounting Entries:

7.2.1 Creation of Loan:

While creating a loan, depending upon its nature, following entries are required to be passed:

In case of Term Loan, Demand Loan, Loan Against Fixed Deposit, Loan against Guarantee, Loan against Government Bond, Staff Loan, Housing Loan etc. of fixed nature loan, loan is required to be registered, after opening loan account and fixing the limit, expiry date and nominee. The disbursement of loan shall require to be done through the disbursement module. Upon disbursement of loan from the module the system generates following set of transaction. Service charge as per the agreed terms shall required be recovered from the same module if the same is tagged with each disbursement, if, not then, it is recovered through passing following entries, under multiple entry sub module in transaction module.

Computer Generated Set of Transaction
Client's Loan Account Dr.
Client's Checking Account Cr.
Client's Checking Account Dr.
Commission Service charge Cr.

If the loan is not registered in the loan module, the above set of transaction shall have to be manually passed.

In case of revolving credit limit should be recovered by passing following entries :

Client's Checking Account Dr.
Commission Service charge Cr.

7.2.2 Settlement of Loan

Disbursed Loan can be settled in the following ways:

1. Settlement of Interest portion only.
2. Settlement of Principal amount only partially or fully.
1. Settlement of interest and principal.

1. Settlement of Interest portion only

a. In case of capitalized interest.

In case of Overdraft and Cash Credit facilities, interest can be adjusted directly by the Party by deposit of cash in party's Overdraft and Cash Credit accounts.

In case of other loans, the settlement will be done by debiting the party's current/savings accounts and crediting the loan account.

2. Settlement of Principal amount only.

In case of OD and CC facilities, the principal amount can be settled by bringing down the limit after the party deposits cash in party's O/D and CC accounts.

In case of other loans, the settlement will be done by debiting the party's current/savings account and crediting the loan account as follows:

Dr. Party's nominated account
Cr. Party's loan account.

3. Settlement of Principal and Accrued Interest

In this case, the accrued interest has to be settled first which will be added to the principal amount. The total outstanding shall then be settled by debiting the required amount from the nominated account in the case of the other loans while in case of overdraft and CC, the required amount is to be deposited by the Party directly in the said account.

In full settlement of loan, the party's limit shall have to be made zero so that the party can not avail the credit facility.

7.2.3 Entries Relating to Guarantee:

Booking of Guarantee Liability:

Dr. Bank's Liability Guarantee
Cr. Customer's Liability under Guarantee
Details of Guarantee No. shall have to be mentioned

Creation of Margin
Dr. Customer's checking A/C
Cr. Customer's margin A/C
Details of Guarantee No. shall have to be mentioned

Recovery of Commission
Dr. Customer's Checking A/c
Cr. Commission Letter of Guarantee
Details of Guarantee No. shall have to be mentioned

Releasing of Bank Guarantee Liability

Dr. Customer's Liability under Guarantee
Cr. Bank's Liability Guarantee
Details of Guarantee No. shall have to be mentioned

Releasing Margin under Guarantee
Dr. Customer's margin A/C
Cr. Customer's checking A/C
Details of Guarantee No. shall have to be mentioned

Part F- Formats

- | | | |
|-----|---|--------------|
| 8.1 | Credit Appraisal Memo – New Customer | : Annexure A |
| 8.2 | Credit Appraisal Memo – Annual Review | : Annexure B |
| 8.3 | Credit Appraisal Memo Ad-hoc Facilities | : Annexure C |
| 8.4 | Business Inspection Report | : Annexure D |
| 8.5 | Collateral Inspection Report | : Annexure E |
| 8.6 | Loan Sanction Letter | : Annexure F |
| 8.7 | Stock Statement | : Annexure G |

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Nepal Credit & Commerce Bank Ltd.

..... Branch

Annexure A

Credit Department

Date:

Ref. no.: 0000/03

Next Review Date.....

**Re: Proposal for sanction of multiple Credit facilities on A/C of
M/s.....**

0. MIS Reporting Codes		0.1	Overall Risk Grading
Basel Code	:		Aggregate Score
NRB 9.3 Sector Code	:		Risk Grade
NRB 9.3 Ka Product Code	:		Risk Definition
NRB 9.4 Security Code	:		A/C Strategy
Industrial Sector Code	:		
Productive Sector Code	:		

1. Applicant's Information

Borrower's Name:			Relationship start date:	
Nature of Business:			A/C Grade	
Registration details	Authority			
	Date			
	Number			
	PAN /VAT No.			
Registered Address				
Business Address				
Constitution	(<input type="checkbox"/>) Sole proprietorship (<input type="checkbox"/>) Partnership (<input type="checkbox"/>) Pvt. Ltd. (<input type="checkbox"/>) Limited Company			
Date of application				
Tax Clearance up to				
Business operation since (if other than registration date)				
Contact Details	Key Contact Person /Position:		Alternate Contact Person /Position:	
Name of the person				
Office Tel. Nos.				
Residence Tel. Nos.				
Cell No.				
Fax No				
E-mail address				
BOD Details	(<input type="checkbox"/>) Obtained (<input type="checkbox"/>) Not Obtained (<input type="checkbox"/>) NA			
Board Resolution	(<input type="checkbox"/>) Obtained (<input type="checkbox"/>) Not Obtained (<input type="checkbox"/>) NA			
Updated shareholder register	(<input type="checkbox"/>) Obtained (<input type="checkbox"/>) Not Obtained (<input type="checkbox"/>) NA			
Capital Structure	Authorised/Regd.			
	Issued			
	Paid Up			

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

EGM/ AGM Report*	() Obtained () Not Obtained () NA		
	S. No.	Name	Nature /Line of Business
	1		
Sister Concern (s)	2		

* Especial General Meeting of share holders

Proprietor/ Partners/ Directors of the borrowing firm/company

S.No.	Name	Designation	Share Holding (Rs.)	Share Holding (Percentage)

Three generation of Proprietor/Partners/Directors

Name	Address (as per Citizenship)	Citz.ship No.	Father's Name	Grand Father's Name	Name of Spouse

2. Limit Summary of the borrowing unit As on.....

NPR In "000"

Facility	Limit	O/S	New Request	Total	Expiry	Pricing		Drawdown Margin	Remarks
						Int.rate	Fees/Chg		
OD/CC									
DL /STL									
Term Loan									
TR Loan									
Total Funded									
Letter of Credit									
Bank G'tee									
Total Non-funded									
Grand Total									

For the group exposure (if the borrowing unit falls under the group availing credit facilities from NCC Bank) pls refer group sheet.

3. Account Performance /Relationship

- Brief history of relationship between the Bank and the customer
- Brief details of concerned accounts.
- Brief details of other Banking relationship. How are other lenders behaving-attempting to grow or shed the relationship?
- What do we expect from the relationship?
- Bank's relationship with the Groups other units?
- Where is personal banking done or what short of accounts are maintained?
- Do the associated persons maintain saving/current account here?

4. Management

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Market reputation, credit worthiness of the key persons involved in the business, their educational and social background, etc..

- Age of the principals
- Experience in this line of business.
- Interest beyond this business.
- Integrity/professionalism/succession plans.
- Details of any dominant shareholders and its level of influence on the company's of business management.
- Recent changes in key shareholders/management.
- What real estate do the principals own? Are there outstanding mortgages against these properties?
- What is the nature of personal investments?
- Are assets jointly owned? With whom?
- Are personal assets pledged to secure any business loans ?
- Are the principals willing to provide personal guarantee?
- Have they given personal guarantees to other lenders or suppliers?
- Business alliance and affiliation.
- Type of staff (skilled/semi skilled, etc)
- Logistic arrangement and management.

5. Business Background

Business History :

- Duration of the business in existence.
- Present legal form
- Duration under present management control.
- Principal owners/share ownership.
- Management/Structure and style.
- Subsidiaries/affiliates and division.

Business Nature

- Manufacturing/Trading/Service
- Description of products/services. Major product lines
- Normal trend of sale/purchase
- Customers. Any concentrations
- Market Area/Major competitors
- Divisional structure of Organizational chart.
- Dependent on other industries
- Labour force-number ,turnover rate ,unionism, etc.
- Production levels and capacity.
- Size of plant and building/Technology used.
- Are plants/premises owned or leased?, Location?, Lease terms?, options?, renewals?
- Major suppliers/Alternate source of supply.
- How good are current relationship with vendor/supplier?
- External statutory constraints on ability to grow.
- Business expansion plans and means of financing.

6. Market/Industry/business Analysis

- Economic overview.
- Structural characteristics
- Industry turnover/profitability.
- Regulatory environment

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

- *Outlook*
- *Key success factors*
- *Credit issues*
- *Key performance indicators (refer economic survey)*
- *Other risk factors to be considered*
- *Structuring of credit/security*
- *Early warning indicators*
- *Monitoring performance*
- *Bank strategy*
- *Information sources*
- *Size of market and trend*
- *Industry margin-trends*
- *New Development in the industry*
- *New competitors –excess production capacity*
- *Vulnerability to new technology-obsolescence of plant and equipment*
- *New Products-Better, cheaper- impact on existing companies*
- *Existence/availability of substitutes*
- *Entry/Exit barriers*
- *Negotiating power vis-à-vis supplier/customer*
- *Threat from imports/dependence on exports.*
- *Criticality /availability of labour.*
- *Where is the business in business cycle (sunrise/mature/sunset) and what will the next stage be – boom or burst?*

Firm Position :

New entrants or traditionally involved, external backup, key success factor (strategy to be adopted), ranking of the company among other similar business, technical adequacy (factor of production, raw material, availability of labors)

Market Evaluation:

Present market trend, Future scope of expansion, brand consciousness among the consumer, taste of products, target market segmenting afford-ability, etc.

7. Financial Evaluation

	Last F/Y	Last F/Y	Projected	NPR in '000
Sales
Operating Profit
Net Profit
Net worth
Total Liabilities
Current Ratio
Debt Equity ratio
<u>Analysis of trends in</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>
Sales
Margins
Liquidity
Leverage
Interest Coverage Ratio
Debt service coverage ratio

Annexure: to be attached:

Interpretation:

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

- Sales trend/marketing strategy/Are costs under control/Are profit margins maintained at an adequate level.
- Reasons of trend- and actions taken by the borrower to correct adverse trend.
- Comments on variance from earlier estimates.
- Company's credit and collection philosophy. Trend of debtors days outstanding.
- Trend of aging of receivables (debtors) and payables (Creditors)
- What is company's present market share ?
- Condition of inventory. Trend of days stock outstanding.

Notes to the Balance Sheet

- Net worth Reconciliation
- Increase/decrease in Fixed assets
- Debtor/creditors
- Working capital loan
- Long term loan

Cash /Funds Flow Analysis (in case of installment loan)

- Projections for tenure of loan
- Analysis of trend in cash from operations
- Comments on sources and uses of funds-any mismatch?

8. Justification of Proposed Limit:

Need assessment, capacity of repayment

8.1 Working Capital Assessment :

Particulars	Last FY.....	YTD.....	NPR "000"s Projected FY.....
(A) Stocks			
(B) Receivables			
(C) Other Current Assets			
(D) Total Current Assets (A+B+C)			
(E) Less: Creditors			
(F) Less: Other Current Liabilities			
(G) Total Current Liabilities (E+F)			
(H) Net Working Capital Requirement (D-G)			
Bank Loan STL (NCC)			
Finance from Other BFIs			
Total Bank Loan			
Percentage of Bank Finance			

8.2 Term Loan Assessment

NPR '000's

Details of Assets	Source of Fund		
	Bank Loan	Equity	Total
Land & Building			
Plant & Machinery			
Furniture & Fixture			
Vehicle			
Others, if any			
Total			
Percentage (%)			

8.3 Letter of Credit Assessment

a. Mode of LC: Sight/ Usance/ Deferred Payment/ Back to Back

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

b. Assessment of LC Amount:

Daily Consumption	Lead Time	Daily Consumption x Lead Time	Required LC Amount

8.4 Letter of Guarantee Assessment

Type of Guarantee	Contract/ Tender Amount	Maximum Permissible Limit	Actual Limit
Bid Bond		2.5 % of Tender Amount	
Performance Bond		5% of Contract Amount	
Advance Payment		20% of Contract Amount	

Note: The Suppliers Bank Guarantee shall be assessed as per working capital assessment. Maximum permissible limit shall be vary as per the nature of the guarantees

9. Value of Account:

Direct benefits: Interest/commission incomes expected to be earned from single unit and group exposures.

Description	From this Account			From This Group		
	Last Year's Projection	Last Year's Actual	Next Year's Projection	Last Year's Projection	Last Year's Actual	Next Year's Projection
Net Int. Income						
Fees & Commission						
Pool Earning						
Other Earning (pls specify)						
Total						

Indirect benefits: Possible business growth, fulfillment of lending obligation imposed by NRB (priority sector/ deprived sector etc)

10. Relationship with other Banks:

(a) Firm/ company's liabilities with other bank: (declared by them and reply of inquiries received from the concerned bank)

(b) Confidential report received from CIC and other banks. (CIC Status and details of facilities availed from other BFIs as follows:)

Name of Unit / Group Units	Name of BFI	Funded		Total	Remarks on CIC
		Type	O/s		
Grand- Total					

11. Security Offered:

(a) Primary Security: Hypothecation of Stocks & receivables

Hypothecation of Equipment, Plant & Machinery (if applicable)

(b) Additional secondary Security:

Mortgage of Land & Building Collateral securities as follows:

S.No.	Nature and Details of Security	Date valued	Market Value	Distress Value	Fig in '000

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....				
	Total			

(c) Personal/Corporate Guarantee*

Name of Guarantors	Relation with Borrower	Net-worth	Comment on CIC

(d) Proposed Insurance Detail:

Inured Assets	Value of Assets	Sum of Insurance	Risk Coverage	Validity
Building				
Vehicle				
Plant & Machinery				
Other Assets (if any)				

12. Security coverage Assessment for fund base credit facilities

NPR In “000”

Credit facilities	Limit	Available real estate collateral securities		Remarks
		Distress Value	Market Value	
CC/OD				as of dated (date of inspection)
DL/STL				
TR				
TL				
Total				
Security Coverage by real estate (A)				
Hypothecation of stocks				as of dated (date of inspection)
Assignment over receivables				
Total Hypothecated current assets				
Security Coverage by Hypothecation of current assets (B)				
Hypothecation of Plant, Machineries and equipments				As per B/S of (latest FY B/S date)
Total Hypothecated Fixed Assets				
Security Coverage by Hypothecation of fixed assets (C)				
Total security Value				
Total Security Coverage (A+B+C)				

Comments if any:

The requested working capital loan/term loan facilities have been/will be primary secured by hypothecation over stocks, plant, machineries & equipments & assignment over receivables. As per latest stock statement/financial statement submitted by the client, the value of hypothecation securities is NPR

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

.....
and the requested working capital loan/term loan limit of NPR is covered by%. Further, the facility is additionally secured through Mortgage of Land & Building Collateral having FMV & DV of NPR & respectively which is adequate as per PPG/Credit strategy of the bank

12b. For non fund base credit Facilities

Figures In "000"

Facility	Limit	Req. Coverage	Req. Coll. Value
Bid Bond			
PB/APG			
Letter of Credit			
Total required collateral security			
Available Land & building Collateral securities			
Surplus/deficit collateral			

Waivers if any: (*In case of security coverage deviates as per Credit Strategy/Product paper of the bank.*)

13 Ways Out :

Value of hypothecated stocks	
Expected realization by sale incase of distress situation (.....%) (a)	
Value of assigned receivables	
Expected realization by sale incase of distress situation (.....%) (b)	
Expected recovery by primary securities (a+b)	

Other than above primary securities, we have mortgaged landed collateral securities covering the loan exposure by % and personal/corporate guarantee of whose net worth is declared Rs..... which covers the loan exposure by.....%. Therefore the ways out of loan is strong in case of borrower defaults.

14. SWOT analysis:

Strengths, Weaknesses, Opportunities, and Threats.

15. Risk Analysis

Particulars	Mitigate measures
Business Risk	
Industry Risk	
Management Risk	
Financial Risk	
Security Risk	
Other Risk	

16.Recommendation:

Facilities recommended for approval/ for part approval/ for rejection.

17.Terms and conditions

Terms and condition of the facilities recommended as below:

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Limit	: Rs. (Rupees Only)
Purpose	: (<i>Facility purpose; meeting working capital/ fixed assets finance etc</i>)
Interest Rate	:
Commission Rate	:
Service Charge	:
Margin	:
Disbursement	: (<i>terms of disbursement of fund based facilities in installments, lump-sum etc.</i>)
Repayment	: (<i>terms of repayment of fund based facilities in installments, lump-sum etc</i>)
Expiry	:
Securities	:
Other Conditions (if any)	

- a. *Other conditions for availing the sanctioned facilities as deemed fit by the analyst/ bank practice.*
- b. **Waivers required (if any)**

Submitted/Recommended by	Supported/Recommended	Supported/Recommended
--------------------------	-----------------------	-----------------------

Name:	Designation	Date
-------	-------------	------

Name:	Designation	Date
-------	-------------	------

Name:	Designation	Date
-------	-------------	------

Enclosed:

- Business Inspection Report
- Collateral site inspection report
- Valuation Report
- Project Report

Comments/Recommendation by CRD

<u>Recommended</u>	<u>Recommended</u>	<u>Approved/Recommended to the board/declined</u>
.....
CRO	CBO/CMO	CEO

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Annexure - I

FINANCIAL EVALUATION

Firm/Companies financial position : Last three years and future projection of financial position

Auditor : Co.

NPR in '000

	<u>up to last F/Y</u>	<u>Last F/Y</u>	<u>This F/Y</u>	<u>Projected</u>
A) Current Assets Total
- Cash/ Bank Balance
- Debtor/ Receivable
- Closing Stock
- Others
B) Fixed Assets
C) Other Assets
D) Total Assets
E) Current Liabilities
- Creditors/ Payables
- Bank Loan (ST)
- Advances
- Other Payables
- Others
F) Issued and Paid up capital
G) Reserve & Surplus
H) Long Term Debt
H) Other Liability
I) Total Liab. & Capital

Profit and Loss statement

Sales Turnover
Cost of sales
Gross Profit
Operating Exp.
Depreciation
Salaries
Other SG & A Exp
Total Operating EXP
Total Adm/Oper. Exp
Financial Cost(Int.exp)
Earning before Taxes
Income Tax
Net Profit /(Loss)

Cash Flow incase of Installment loan/project finance etc.

Profit before Tax & Int.
+Depreciation

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

+ Other non cash item
+Gross operating cash flow.....
+/- Stock
+/- Debtors
+/- Trade Creditors
+/- Prepayments
+/- Accrued Expenses
+/- Sundry Creditors
Net operating Cash flow.....
Interest expenses
Dividend Payment
Repayment of debt
Net Cash flow
After debt service
+/- Change in fixed assets.....
Tax payment
Financial surplus (Req.).....
+ Change in external finance.....
+ Balacne C/F
Ending cash equivalent

Liquidity Ratios

Current Ratio
Quick Ratio
Days stock
Days debtors
Days Creditors
Profitability Ratios
Gross Profit Margin
Net Profit Margin
Return on Equity

Turnover Ratios

Current Assets Turnover.....
Quick Assets Turnover
Stock Turnover
Total Assets Turnover

Leverage & Coverage Ratio

Debt to Equity Ratio
Debt Service Coverage Ratio.....
Interest Coverage Ratio

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Nepal Credit & Commerce Bank Ltd.

..... branch

Group Summary Sheet

Group Name

APX

Unit-wise facility details

NPR In "000"s

SN	Name of the group units	Facility	Existing Limit	O/S on	Add. Request	Total	Value of securities	Remarks
1	ABC						Land & Building	
							Distress Value	
							Market Value	
							Hypothecation	
							Value	Stocks & receivables
	Funded						Hypothecation	
							Value	
	Non Funded							Plant & Machineries
	Sub Total							
2	PQR						Land & Building	
							Distress Value	
							Market Value	
							Hypothecation	
							Value	Stocks & receivables
	Funded						Hypothecation	
							Value	
	Non Funded							Plant & Machineries
	Sub Total							
	Grand Total	Funded					Land & Building	
		N-funded					Value	Distress Value
							Value	Market Value
							Hypothecation	
							Value	Stocks, receivable, book debts & Plant & Machineries

Nepal Credit & Commerce Bank Ltd.
..... Branch

Annexure A1

Credit Control Department

Date:

Ref. No: NCCB/../CR/..../2011

Re: Proposal for Sanction of (NCC-Home Loan/Housing Loan/Vehicle/Hire purchase/Easy Loan Terminating/Personal Term Loan/Personal Loan) Facility on A/C of Mr./Mrs./M/S

0. MIS Reporting Codes		0.1	Overall Risk Grading	
Basel Code	:	Aggregate Score		
NRB 9.3 Sector Code	:	Risk Grade		
NRB 9.3 Ka Product Code	:	Risk Definition		
NRB 9.4 Security Code	:	A/C Strategy		
Industrial Sector Code	:			
Productive Sector Code	:			

1. Applicant's Information

Name of the Applicant :

Date of Birth :

Permanent Address :

Temporary Address :

Telephone No/Cell No.:

Citizenship No :

Nature of Profession :

Date of Application :

Purpose of Loan :

Marital Status :

Sister concern (if any) : M/S

Third Generation of Borrower

Name	Address (as per Citizenship)	Citz.ship No.	Father's Name	Grand Father's Name	Name of Spouse

Undivided Family Tree of Borrower

Re:

S.No.	Name of Family Members	Relationship Borrower	Age /Ctz. Ship No.	Remarks (if any)
		Spouse		
		Children		
		Brothers		
		Father		
		Mother		

2. Limit Summary

Facility	Limit	O/S	New Request	Total	Expiry	Pricing		Drawdown /Margin	Remarks
						Int.rate	Fees/Chg		
HP/AUTO									
HL									
Education loan									
Total Funded									
Bank G'tee									
Total Non-funded									
Grand Total									

3. Background of the borrower & associated firm

- Detailed background of borrower and family members
- Borrowers integrity/ Character/ present profession/net worth status
- Brief background of associated business/firms

4. Account Performance/Relationship

- Brief history of relationship between the Bank and the customer
- Brief details of concerned accounts.

Review Period: to (Date) in renewal case & client availing existing credit facilities)

Limit Sanction Date	
Last Renewal Date	
Present Outstanding	
Total Debit Summation	
Total Credit Summation	
Interest Earned (review period)	
Service Charge Earned	
Turnover of Limit	
Limit Utilization	

- Brief details of other Banking relationship. How are other lenders behaving-attempting to grow or shed the relationship.

Re:

- What do we expect from the relationship
- Bank's relationship with the Groups other units

5. Proposed Project (Building/Vehicle/Land/etc.

- Details of the project be financed
- Details of building/Vehicles etc. to be constructed/purchased/ valuators assessment/Invoice etc.
- Importance of the project/residential/commercial/private use etc.
- Total cost of building/Vehicle/
- Percentage of bank finance
- Equity portion

6. Repayment Ability

- Assessment of repayment ability of the borrower

7. Financial Evaluation

After assessment of the client's repayment ability, the monthly projected income statement of the client will be as follows:

Income	Amount (Rs.)	Expenditure	Amount(Rs.)
From business From M/S... (Audit report attached)		Fooding Expenses	
From House Rent		Medical Expenses	
From Salary		Education expenses	
From Proposed Vehicle (Net)		Miscellaneous Expenses	
From Others..		Utility expenses	
From Others..		Other Expenses	
Total Income (A)		Total Expenses (B)	
Net Monthly saving before Installment (A-B)			
Less: Monthly Installment of NCC Home Loan			
Less: Other bank Obligation (
Net Monthly saving after installment of NCC-Home Loan			
Net Monthly saving after installment & interest			

Justification of Incomes:

From Business : Details of Business & Audited Financials of Last FY & Provisional Running FY

From Proposed Vehicle: Route of the Vehicle, daily earnings of the vehicle, cost incurred in Vehicle operation etc.

From House Rent : Agreement paper

From Salary : Certificate

From Others : Supporting documents

Comments:

Product Paper Criteria for the loan sought

8. Justification of Proposed Limit

Need Assessment

Re:

Capacity of Repayment

9. Value of Account:

Direct benefits: *Interest/ commission incomes expected to be earned.*

Indirect benefits: *Possible business growth, fulfillment of lending obligation imposed by NRB (priority sector/ deprived sector etc)*

10. Relationship with other Banks:

(a) Firm/ company's liabilities with other bank: (*declared by them and reply of inquiries received from the concerned bank*)

(b) Confidential report received from CIC and other banks. (*CIC Status and details of facilities availed from other BFIs as follows:)*

Name of Unit / Group Units	Name of BFI	Funded		Non Funded	Total	Remarks on CIC
		Type	O/s			
Grand- Total						

11. Security Offered

(a) Primary Security:

- *Hypothecation of Plant & Machinery*
- *First & Sole charge over units of vehicles by transferring the ownership in banks favor*
- *Comprehensive Insurance coverage*

(b) Additional Security (If available)

Mortgage of real estate property as stated below:

Fig in '000

S.No.	Nature and Details of Security	Date valued	Market Value	Distress Value
	Total			

(c) Other Security

Personal Guarantees

Name of Guarantors	Relation with Borrower	Net-worth	Comment on CIC

(d) Proposed Insurance Detail:

Re:

Inured Assets	Value of Assets	Sum of Insurance	Risk Coverage	Validity
Building				
Vehicle				
Plant & Machinery				
Other Assets (if any)				

Security Coverage required as per credit strategy/Product Paper

Figures in '000

	Limit (Rs.)	Coverage Required	Coverage Required (Rs.)
(NCC Home Loan/Housing Loan/Vehcile/Easy etc)	167%
Other Loans (If Any)			
Total Loan			
Total Security required		
Available Security		
Surplus/Deficit		

Comments if any:

12. Ways Out

- Repayment from the client.*
- Auction proceeds of collateral securities*
- Insurance Coverage of building*

13. Recommendation:

Facilities recommended for approval/ for part approval/ for rejection.

14.Terms and conditions

Following Terms & conditions are proposed for the facility recommended:

- | | |
|---------------------------|---|
| Facility | : NCC Home/Housing/Vehicle/Hire purchase/Easy Loan
Terminating/Personal Term Loan/Personal Loan etc. |
| Limit | : Rs. (Rupees Only) |
| Purpose | : (<i>Facility purpose; meeting working capital/ fixed assets finance etc</i>) |
| Interest Rate | : |
| Commission Rate | : |
| Service Charge | : |
| Margin | : |
| Disbursement | : (<i>terms of disbursement of fund based facilities in installments, lump-sum etc.</i>) |
| Repayment | : (<i>terms of repayment of fund based facilities in installments, lump-sum etc</i>) |
| Expiry | : |
| Securities | : |
| Other Conditions (if any) | |

- a. *Other conditions for availing the sanctioned facilities as deemed fit by the analyst/ bank practice.*
- b. ***Waivers required (if any)***

Re:

Submitted by

Recommended

Recommended

Name:
Designation
Date

Name:
Designation
Date

Name:
Designation
Date

Enclosed:

- Collateral Site Inspection Report
- Income verifying documents
- Photocopy of Valuation Report (Summary Only)
- Business Inspection Report of M/S
- Financials (audited/provisional/mgmt. prepared

Comments/Recommendation by CRD

Recommended

Recommended

Approved/Declined

Name
CRO

Name
CBO/CMO

Name
CEO

Nepal Credit & Commerce Bank Ltd.
..... Branch

Annexure B

Credit Department

Date:

Ref. no.: 0000/03

Last Review Date.....

Next Review Date.....

Re: Proposal for Renewal/Enhancement of multiple Credit facilities on A/C of M/s.....

0. MIS Reporting Codes		0.1	Overall Risk Grading
Basel Code	:		Aggregate Score
NRB 9.3 Sector Code	:		Risk Grade
NRB 9.3 Ka Product Code	:		Risk Definition
NRB 9.4 Security Code	:		A/C Strategy
Industrial Sector Code	:		
Productive Sector Code	:		

1. Applicant's Information

Borrower's Name:			Relationship start date:	
Nature of Business:			A/C Grade	
Registration details	Authority			
	Date			
	Number			
	PAN /VAT No.			
Registered Address				
Business Address				
Constitution	(<input type="checkbox"/>) Sole proprietorship (<input type="checkbox"/>) Partnership (<input type="checkbox"/>) Pvt. Ltd. (<input type="checkbox"/>) Limited Company			
Date of application				
Tax Clearance up to				
Business operation since (if other than registration date)				
Contact Details	Key Contact Person /Position:		Alternate Contact Person /Position:	
Name of the person				
Office Tel. Nos.				
Residence Tel. Nos.				
Cell No.				
Fax No				
E-mail address				
BOD Details	(<input type="checkbox"/>) Obtained (<input type="checkbox"/>) Not Obtained (<input type="checkbox"/>) NA			
Board Resolution	(<input type="checkbox"/>) Obtained (<input type="checkbox"/>) Not Obtained (<input type="checkbox"/>) NA			
Updated shareholder register		(<input type="checkbox"/>) Obtained (<input type="checkbox"/>) Not Obtained (<input type="checkbox"/>) NA		
Capital Structure	Authorised/Regd.			
	Issued			
	Paid Up			

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

EGM/ AGM Report*	(<input type="checkbox"/>) Obtained	(<input type="checkbox"/>) Not Obtained	(<input type="checkbox"/>) NA
Sister Concern (s)	S. No.	Name	Nature /Line of Business
	1		
	2		

* Especial General Meeting of share holders

Proprietor/ Partners/ Directors of the borrowing firm/company

S.No.	Name	Designation	Share Holding (Rs.)	Share Holding (Percentage)

Three generation of Proprietor/Partners/Directors

Name	Address (as per Citizenship)	Citz.ship No.	Father's Name	Grand Father's Name	Name of Spouse

2. Limit Summary of the borrowing unit As on.....

NPR In "000"

Facility	Limit	O/S	New Request	Total	Expiry	Pricing		Drawdown /Margin	Remarks
						Int.rate	Fees/Chg		
OD/CC									
DL /STL									
Term Loan									
TR Loan									
Total Funded									
Letter of Credit									
Bank G'tee									
Total Non-funded									
Grand Total									

For the group exposure (if the borrowing unit falls under the group availing credit facilities from NCC Bank) pls refer group sheet.

3. Account Performance /Relationship

- Brief history of relationship between the Bank and the customer

A. Performance review

Review Period: to (Date) in renewal case & client availing existing credit facilities)

Limit Sanction Date	
Last Renewal Date	
Present Outstanding	
Total Debit Summation	

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Total Credit Summation	
Interest Earned (review period)	
Service Charge Earned	
Turnover of Limit	
Limit Utilization	
Total earnings from the unit	

B. Utilization of facilities with comments on past dues, turnover and debt repayment

Comments:

-

C. Account Performance

- | | |
|--|--|
| 1. Response of borrower on Bank's queries / letters /calls | |
| 2. Current assets statement submission | |
| 3. Serving of interest /installment | |
| 4. Submission of other documents on requirement | |

D. Major Challenges Faced During the Period:

Comments:

-
-

E. Major Achievement During the Period:

Comments:

-
-
-

F. Approvers'/Auditors (Internal Audit/Statutory Auditors/NRB Auditors Comments /Remarks in account & Its Present Status

Comments /Remarks	Present Status

G. Future Plan:

Comments:

-
-

- Brief details of other Banking relationship. How are other lenders behaving-attempting to grow or shed the relationship?
- What do we expect from the relationship?
- Bank's relationship with the Groups other units?

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

4. Management

Market reputation, credit worthiness of the key persons involved in the business, their educational and social background, etc..

- *Age of the principals*
- *Experience in this line of business.*
- *Interest beyond this business.*
- *Integrity/professionalism/succession plans.*
- *Details of any dominant shareholders and its level of influence on the company's of business management.*
- *Resent changes in key shareholders/management.*
- *What real estate do the principals own? Are there outstanding mortgages against these properties?*
- *What is the nature of personal investments?*
- *Are assets jointly owned? With whom?*
- *Are personal assets pledged to secure any business loans ?*
- *Are the principals willing to provide personal guarantee?*
- *Have they given personal guarantees to other lenders or suppliers?*
- *Business alliance and affiliation.*
- *Type of staff (skilled/semi skilled, etc)*
- *Logistic arrangement and management.*

5. Business Background

Business History :

- *Duration of the business in existence.*
- *Present legal form*
- *Duration under present management control.*
- *Principal owners/share ownership.*
- *Management/Structure and style.*
- *Subsidiaries/affiliates and division.*

Business Nature

- *Manufacturing/Trading/Service*
- *Description of products/services. Major product lines*
- *Normal trend of sale/purchase*
- *Customers. Any concentrations*
- *Market Area/Major competitors*
- *Divisional structure of Organizational chart.*
- *Dependent on other industries*
- *Labour force-number ,turnover rate ,unionism, etc.*
- *Production levels and capacity.*
- *Size of plant and building/Technology used.*
- *Are plants/premises owned or leased?, Location?, Lease terms?, options?, renewals?*
- *Major suppliers/Alternate source of supply.*
- *How good are current relationship with vendor/supplier?*
- *External statutory constraints on ability to grow.*
- *Business expansion plans and means of financing.*

6. Market/Industry/business Analysis

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

- Economic overview.
- Structural characteristics
- Industry turnover/profitability.
- Regulatory environment
- Outlook
- Key success factors
- Credit issues
- Key performance indicators (refer economic survey)
- Other risk factors to be considered
- Structuring of credit/security
- Early warning indicators
- Monitoring performance
- Bank strategy
- Information sources
- Size of market and trend
- Industry margin-trends
- New Development in the industry
- New competitors –excess production capacity
- Vulnerability to new technology-obsolescence of plant and equipment
- New Products-Better, cheaper- impact on existing companies
- Existence/availability of substitutes
- Entry/Exit barriers
- Negotiating power vis-à-vis supplier/customer
- Threat from imports/dependence on exports.
- Criticality /availability of labour.
- Where is the business in business cycle (sunrise/mature/sunset) and what will the next stage be – boom or burst?

Firm Position :

New entrants or traditionally involved, external backup, key success factor (strategy to be adopted), ranking of the company among other similar business, technical adequacy (factor of production, raw material, availability of labors)

Market Evaluation:

Present market trend, Future scope of expansion, brand consciousness among the consumer, taste of products, target market segmenting afford-ability, etc.

7. Financial Evaluation

	Last F/Y Audited	Last F/Y Audited	Projected	NPR in '000
Sales	
Operating Profit	
Net Profit	
Net worth	
Total Liabilities	
Current Ratio	
Debt Equity ratio	
<u>Analysis of trends in</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	
Sales	
Margins	
Liquidity	
Leverage	
Interest Coverage Ratio	
Debt service coverage ratio	

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Annexure: to be attached:

Interpretation:

Trading Performance (Projection vs. Actual)

Description	Last Year's Projection	Actual	Variance	Next Year's Projection
Sales				
Gross Profit				
NPAT				

Comments:

- Sales trend/marketing strategy/Are costs under control/Are profit margins maintained at an adequate level.
- Reasons of trend- and actions taken by the borrower to correct adverse trend.
- Comments on variance from earlier estimates.
- Company's credit and collection philosophy. Trend of debtors days outstanding.
- Trend of aging of receivables (debtors) and payables (Creditors)
- What is company's present market share ?
- Condition of inventory. Trend of days stock outstanding.

Notes to the Balance Sheet

- Net worth Reconciliation
- Increase/decrease in Fixed assets
- Debtor/creditors
- Working capital loan
- Long term loan

Cash /Funds Flow Analysis (in case of installment loan)

- Projections for tenure of loan
- Analysis of trend in cash from operations
- Comments on sources and uses of funds-any mismatch?

8. Justification of Proposed Limit:

Need assessment, capacity of repayment

8.1 Working Capital Assessment :

Particulars	Last FY.....	YTD.....	NPR “000”s Projected FY.....
(A) Stocks			
(B) Receivables			
(C) Other Current Assets			
(D) Total Current Assets (A+B+C)			
(E) Less: Creditors			
(F) Less: Other Current Liabilities			
(G) Total Current Liabilities (E+F)			
(H) Net Working Capital Requirement (D-G)			
Bank Loan STL (NCC)			
Finance from Other BFIs			
Total Bank Loan			
Percentage of Bank Finance			

8.3 Letter of Credit Assessment

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....				
.....				
a. Mode of LC: Sight/ Usance/ Deferred Payment/ Back to Back				
b. Assessment of LC Amount:				
Daily Consumption	Lead Time	Daily Consumption x Lead Time	Required LC Amount	

8.4 Letter of Guarantee Assessment

Type of Guarantee	Contract/ Tender Amount	Maximum Permissible Limit	Actual Limit
Bid Bond		2.5 % of Tender Amount	
Performance Bond		5-10% of Contract Amount	
Advance Payment		20% of Contract Amount	

Note: The Suppliers Bank Guarantee shall be assessed as per working capital assessment. Maximum permissible limit shall be vary as per the nature of the guarantees

9. Value of Account:

Direct benefits: Interest/ commission incomes expected to be earned from single unit and group exposures.

Description	From this Account			From This Group		
	Last Year's Projection	Last Year's Actual	Next Year's Projection	Last Year's Projection	Last Year's Actual	Next Year's Projection
Net Int. Income						
Fees & Commission						
Pool Earning						
Other Earning (pls specify)						
Total						

Indirect benefits: Possible business growth, fulfillment of lending obligation imposed by NRB (priority sector/ deprived sector etc)

10. Relationship with other Banks:

- (a) Firm/ company's liabilities with other bank: (declared by them and reply of inquiries received from the concerned bank)
- (b) Confidential report received from CIC and other banks. (CIC Status and details of facilities availed from other BFIs as follows.)

Name of Unit / Group Units	Name of BFI	Funded		Non Funded	Total	Remarks on CIC
		Type	O/s			
Grand- Total						

11. Security Offered:

(a) **Primary Security:** Hypothecation of Stocks & receivables
Hypothecation of Equipment, Plant & Machinery (if applicable)

(b) **Additional secondary Security:**

Mortgage of Land & Building Collateral securities as follows:

S.No.	Nature and Details of Security	Date valued	Market Value	Distress Value	Fig in '000

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....				
	Total			

(c) Personal/Corporate Guarantee

Name of Guarantors	Relation with Borrower	Net-worth	Comment on CIC

(d) Insurance Detail:

Inured Assets	Value of Assets	Sum of Insurance	Risk Coverage	Validity
Building				
Vehicle				
Plant & Machinery				
Other Assets (if any)				

12. Security coverage Assessment for fund base credit facilities

Credit facilities	Limit	Available real estate collateral securities		Remarks
		Distress Value	Market Value	
CC/OD				
DL/STL				
TR				
TL				
Total				
Security Coverage by real estate (A)				
Hypothecation of stocks				as of dated (date of inspection)
Assignment over receivables				
Total Hypothecated current assets				
Security Coverage by Hypothecation of current assets (B)				
Hypothecation of Plant, Machineries and equipments				As per B/S of (latest FY B/S date)
Total Hypothecated Fixed Assets				
Security Coverage by Hypothecation of fixed assets (C)				
Total security Value				
Total Security Coverage (A+B+C)				

Comments if any:

The requested working capital loan/term loan facilities have been/will be primary secured by hypothecation over stocks, plant, machineries & equipments & assignment over receivables. As per latest stock statement/financial statement submitted by the client, the value of hypothecation securities is NPR and the requested working capital loan/term loan limit of NPR is covered by%. Further, the

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

.....
facility is additionally secured through Mortgage of Land & Building Collateral having FMV & DV of NPR & respectively which is adequate as per CPG/Credit strategy of the bank

12b. For non fund base credit Facilities

Figures In "000"

Facility	Limit	Req. Coverage	Req. Coll. Value
Bid Bond			
PB/APG			
Letter of Credit			
Total required collateral security			
Available Land & building Collateral securities			
Surplus/deficit collateral			

Waivers if any: (*In case of security coverage deviates as per Credit Strategy/Product paper of the bank.*)

13 Ways Out :

Value of hypothecated stocks	
Expected realization by sale incase of distress situation (.....%) (a)	
Value of assigned receivables	
Expected realization by sale incase of distress situation (.....%) (b)	
Expected recovery by primary securities (a+b)	

Other than above primary securities, we have mortgaged landed collateral securities covering the loan exposure by % and personal/corporate guarantee of whose net worth is declared Rs..... which covers the loan exposure by.....%. Therefore the ways out of loan is strong in case of borrower defaults.

14. SWOT analysis:

Strengths, Weaknesses, Opportunities, and Threats.

15. Risk Analysis

Particulars	Mitigate measures
Business Risk	
Industry Risk	
Management Risk	
Financial Risk	
Security Risk	
Other Risk	

16.Recommendation:

Facilities recommended for approval/for part approval/for rejection.

17.Terms and conditions

Terms and condition of the facilities recommended as below:

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Limit	: Rs. (Rupees Only)
Purpose	: (<i>Facility purpose; meeting working capital/ fixed assets finance etc</i>)
Interest Rate	:
Commission Rate	:
Service Charge	:
Margin	:
Disbursement	: (<i>terms of disbursement of fund based facilities in installments, lump-sum etc.</i>)
Repayment	: (<i>terms of repayment of fund based facilities in installments, lump-sum etc</i>)
Expiry	:
Securities	:
Other Conditions (if any)	

- a. Other conditions for availing the sanctioned facilities as deemed fit by the analyst/ bank practice.*
b. Waivers required (if any)

Submitted/Recommended by	Supported/Recommended	Supported/Recommended
--------------------------	-----------------------	-----------------------

Name:	Name:	Name:
Designation	Designation	Designation
Date	Date	Date

Enclosed:

- Business Inspection Report
- Collateral site inspection report
- Security Doc. Check List
- Facility Review Check List
- Valuation Report

Comments/Recommendation by CRD

<u>Recommended</u>	<u>Recommended</u>	<u>Approved/Recommended to the board/declined</u>
--------------------	--------------------	---

.....
CRO

.....
CBO/CMO

.....
CEO

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Annexure – I

FINANCIAL EVALUATION

Firm/Companies financial position : Last three years and future projection of financial position

Auditor : Co.

NPR in '000

	<u>up to last F/Y</u>	<u>Last F/Y</u>	<u>This F/Y</u>	<u>Projected</u>
A) Current Assets Total
- Cash/ Bank Balance
- Debtor/ Receivable
- Closing Stock
- Others
B) Fixed Assets
C) Other Assets
D) Total Assets
E) Current Liabilities
- Creditors/ Payables
- Bank Loan (ST)
- Advances
- Other Payables
- Others
F) Issued and Paid up capital
G) Reserve & Surplus
H) Long Term Debt
H) Other Liability
I) Total Liab. & Capital

Profit and Loss statement

Sales Turnover
Cost of sales
Gross Profit
Operating Exp.
Depreciation
Salaries
Other SG & A Exp
Total Operating EXP
Total Adm/Oper. Exp
Financial Cost(Int.exp)
Earning before Taxes
Income Tax
Net Profit /(Loss)

Cash Flow incase of Installment loan/project finance etc.

Profit before Tax & Int.
+Depreciation
+ Other non cash item

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

+Gross operating cash flow.....
+/- Stock
+/- Debtors
+/- Trade Creditors
+/- Prepayments
+/- Accrued Expenses
+/- Sundry Creditors
Net operating Cash flow.....
Interest expenses
Dividend Payment
Repayment of debt
Net Cash flow
After debt service
+/- Change in fixed assets.....
Tax payment
Financial surplus (Req.).....
+ Change in external finance.....
+ Balance C/F
Ending cash equivalent

Liquidity Ratios

Current Ratio
Quick Ratio
Days stock
Days debtors
Days Creditors
Profitability Ratios
Gross Profit Margin
Net Profit Margin
Return on Equity

Turnover Ratios

Current Assets Turnover.....
Quick Assets Turnover
Stock Turnover
Total Assets Turnover

Leverage & Coverage Ratio

Debt to Equity Ratio
Debt Service Coverage Ratio.....
Interest Coverage Ratio

Re: Proposal for sanction /Renewal of Credit facilities on a/c of M/S.....

Nepal Credit & Commerce Bank Ltd.

..... branch

Group Summary Sheet

Group Name

APX

Unit-wise facility details

NPR In "000"s

SN	Name of the group units	Facility	Existing Limit	O/S on	Add. Request	Total	Value of securities	Remarks
1	ABC						Land & Building	
							Distress Value	
							Market Value	
							Hypothecation	
							Value	Stocks & receivables
	Funded						Hypothecation	
							Value	
	Non Funded						Plant & Machineries	
	Sub Total							
2	PQR						Land & Building	
							Distress Value	
							Market Value	
							Hypothecation	Stocks & receivables
							Value	
	Funded						Hypothecation	
							Value	
	Non Funded						Plant & Machineries	
	Sub Total							
	Grand Total	Funded					Land & Building	
		N-funded					Value	Distress Value
							Value	
							Hypothecation	
							Value	Stocks, receivable, book debts & Plant & Machineries

Nepal Credit & Commerce Bank Ltd.
..... Branch

Annexure C

Date:

Ref. No: NCCB/..../CR/..../2016

Re: Proposal for Adhoc Facilities on A/C of M/s

1. Applicant's Information

- a) Name of the Applicant:
- b) Address:
- c) Nature of Business:
- d) Date of Application:
- e) Registration Details: (*all types of registration*)
- f) Capital Structure: (*authorized, issued, and paid up*)
- g) Group (if any):
- h) Sister/ Associate Concerns:

Proprietor/ Partners/ Directors:

S. No.	Name	Designation	Share Holding (Rs.)	Share Holding (Percentage)

2. Limit Summary

Rs. In "000"

Facilities	Existing Limit	Present Outstanding	Expiry	Existing Interest Rate		Additional Limit	Total Limit	Proposed Interest Rate/Comm
Funded								
Non Funded								

3. Account Performance:

4. Details of security:

(a) Primary Security:

- Hypothecation of Plant & Machinery
- First & Sole charge over units of vehicles by transferring the ownership in banks favor
- Comprehensive Insurance coverage

(b) Real Estate Collateral

Mortgage of real estate property as stated below:

Fig in '000

S.No.	Nature and Details of Security	Date valued	Market Value	Distress Value

Re: Proposal for..... on A/C of M/s on ad-hoc basis.

	Total			
--	--------------	--	--	--

© Other Security
Personal Guarantees

5. Financials :

Sales /Turnover
Net worth
Total Liabilities
Profit
Gearing
Current Ratio

(Brief comments on the Financial Statement of the Firm/Company including current year performance and YTD financials (Sales, NCA etc.)

6. CIC Report:

7. Justification of Proposed facilities

Need of facilities and source of repayment.

8. Comments and recommendation:

.....
.....

9. Details of facility requested & terms for approval:

Submitted by

Recommended

Recommended

Name:
Designation
Date

Name:
Designation
Date

Name:
Designation
Date

As per approval chain.

Annexure ----D

**Nepal Credit & Commerce Bank Ltd.,
..... Branch**

Business Site Inspection Report (BSIR)

Name of the Customer:

Request of the Customer:

Existing Limit: Facility Type:

O/S:

Date of Inspection:

Inspected By:

Escorted By (Customer's representative):

A) General Information of the unit

1. Nature of the Business:
 2. Address of the unit:
 3. Area of the unit (land/ building/ showroom):
 4. Location type:
 - a) Commercial
 - b) Residential
 - c) Other (specify)
 5. Any prominent place close to the business unit and approximate distance of the unit from the prominent place:
 6. Property type:
 - a) Self owned land & building
 - b) Rented land & building
 - c) Leased land self owned building
 - d) Others
 7. Owner's name if property is rented/ leased:
 8. No. of building 9. Year of construction 10. No. of storey
 11. Type of construction
 - a) RCC framed structure, RCC roofing
 - b) Load bearing cemented mortar structure with RCC roofing
 - c) Load bearing mud mortar structure with RCC roofing
 - d) Other types of construction (please specify)
 12. Purpose of construction
 - a) Residential
 - b) Commercial
 - c) Other (godowns/ garage etc.)
 13. Security (Guard) Yes No
 14. Warehouse Availability
 - a) Location of warehouse
 - i) inside the factory/ shop/ showroom compound
 - ii) outside the factory/ shop/ showroom compound

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- ii) outside the factory/ shop/ showroom compound
- b) RCC framed structure, RCC roofing
- c) Load bearing cemented mortar structure with RCC roofing
- d) Load bearing mud mortar structure with RCC roofing
- e) Other types of construction (please specify)
- f) Specify type of electricity wiring
- i) Conceal ii) Surface iii) Others (specify) _____
- g) Availability of fire extinguisher Yes No

B) Details of Plant & Machinery

1. Description, age, type, quantity, tentative value, and ownership of plant & machinery (*as declared by the client*)
2. Description, type, quantity, tentative value, and ownership of office equipments, furniture, and vehicles (*as declared by the client*)

C) Details of Stock

1. Description, type, quantity, and value of raw materials
2. Description, type, quantity, and value of semi finished goods
3. Description, type, quantity, and value of finished goods
4. Description, type, quantity, and value of goods hypothecated/ pledged with name of the nominee bank.
5. Description, type, quantity, and value of obsolete stock, if any.

D) Details of Books and Records

1. Are the books of records updated
 - a) Fully updated
 - b) Partially updated
 - c) not updated
2. Computerized books of records updated
 - a) Fully computerized
 - b) Partially computerized
 - c) Not computerized
3. Current Assets Details:

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a. Stocks /Inventory (as on

NPR '000

Description	As per customer's record book	As per physical verification	Different	Remarks
Raw Materials				
Goods under production				
Finished goods				
Total Stock				

b. Top 5 Trade Debtors (as on

NPR '000

Name of Debtors /Address	Upto 30 days	Upto 3 months	Upto 6 months	Upto 1 yr above	Total
1.					
2.					
3.					
4.					
5.					
Others					
Total					
Bad debts till date					

c. Sales:

NPR '000

Last month/quarter	Year to date	Projections for this FY	Achievement %

4. Basis of Valuation of Stock?
5. Are the stocks saleable?
6. What is the age of the stock?
7. Is the storage condition satisfactory?
8. Is the security arrangement adequate?
9. Does the stock verified with the register?
10. Are any other Bank interest on the stock?
11. Does the stock consists of goods released under Trust Receipt?
12. Are Fire Extinguishers installed/adequate?

E) Staff Details

1. Total no. of Staff
 - a) Administrative
 - b) Daily Wages
 - c) Operational
 - d) Others
2. Staff quarter
 - a) Available
 - b) Not Available

F) Operation Status

1. Installed Capacity (*product wise, as declared by the client*)

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2. Capacity Utilization Ratio (*product wise, as declared by the client*)

3. Production/ operation status:

- a) Fully operated during inspection
- b) Partially operated during inspection
- c) Non operation during inspection
- d) Reason for non operation

G) Insurance Status

NPR In “000”

Inured Assets	Value of Assets	Sum of Insurance	Risk Coverage	Validity	Nominee
Building					
Stocks					
Plant & Machinery					
Other Assets (if any)					

H) Brief Location Map of the Unit

I) Conclusions

1. Satisfactory (please elaborate):

2. Unsatisfactory (please elaborate):

J. Confirmation /Certification:

I hereby confirm that the business site (s) is /are visited and is /are in good condition and found bankable.

I reviewed the BIR and also certify that the business visited is fully bankable.

Inspected /Verified:
Name:
Designation:
Date

Confirmed /endorsed:
Name:
Designation:
Date

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NCC Bank Ltd., Branch
Collateral Site Inspection Report (CSIR)

Annexure--- E

Name of the Customer :

Request of the Customer :

Date of Inspection

Inspected By:

Escorted By (Customer's representative):

A. General Information of the Property

Land Plot No	Location/Address	Area /Unit	Building built up area (sq. ft.)	No of storey	Owner of property

- | | | | | | |
|----|---|--|--|---|--------------------------------------|
| 1. | Ownership Type: | <input type="checkbox"/> Freehold | <input type="checkbox"/> Guthi /Trust | <input type="checkbox"/> Others (pls specify) | |
| 2. | Ownership transfer through: | <input type="checkbox"/> | Sale | <input type="checkbox"/> Family Separation | <input type="checkbox"/> Bakas Patra |
| a. | In case of sale (Rajinama), is transfer date elapsed by 6 months plus 35 days ?
incase of "SANDHIYAR" (Nearest neighbor adjoined with the property) | <input type="checkbox"/> Yes | <input type="checkbox"/> | No | |
| b. | In case of sale (Rajinama), is transfer date elapsed by 1 Year plus 35 days ? Incase
of "ANSHIYAR" (legal heirs) | <input type="checkbox"/> Yes | <input type="checkbox"/> | No | |
| c. | In case of family separation, is transfer date elapsed by 3 months plus 35 days? | <input type="checkbox"/> Yes | <input type="checkbox"/> | No | |
| d. | In case of Bakaspatra, is the transfer date elapsed by 2 years plus 35 days? | <input type="checkbox"/> Yes | <input type="checkbox"/> | No | |
| 3. | Property Type: | <input type="checkbox"/> Vacant Land | <input type="checkbox"/> Land & Building | | |
| 4. | Location Type | Commercial <input type="checkbox"/> | Residential <input type="checkbox"/> | | |
| | Agricultural Field <input type="checkbox"/> | Other (specify) <input type="checkbox"/> | | | |

5. Nearest prominent place & distance: The collateral site is located m east /west /south /north from (name of prominent place).

B) Physical Facilities

1. Approach Road

 - a) Motorable Metallic
 - b) Motorable Gravelled
 - c) Motorable Earthen
 - d) Non Motorable

2. Electricity Service

 - a) Available
 - b) Not Available
 - c) Three Phase Line

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3. Telephone Service

a) Available b) Not Available

4. Water Supply/ Sewerage

a) Available b) Not Available c) Ground Water

C) General Information of the Building

1. Year of construction

2. No.of storey

3. Area occupied by
the building

4. Type of construction

- a) RCC framed structure, RCC roofing
- b) Load bearing cemented mortar structure with RCC roofing
- c) Load bearing mud mortar structure with RCC roofing
- d) Other types of construction (please specify)

5. Purpose of construction

- a) Residential
- b) Commercial
- c) Other (godowns/ garage etc.)

6. Flooring type, door, window, panels, etc.

D) Value of the property Assessed by the Bank personnel

Based on recent transaction & enquiry with local people.

NPR In "000"s

Land				Building				Total (A+B)
Plot No	Area	Rate per Ana /Kattha	Total value (A)	Built up area	Cost per SFT	Total value(B)		
Grand Total								

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.....
Branch

E) Brief location map of the property

F) Conclusions

1. Satisfactory (please elaborate):

2. Unsatisfactory (please elaborate):

G. Confirmation /Certification:

I hereby confirm that the property (ies) is visited and is /are mortgage worthy.

I reviewed the CSIR and recommend /support for the mortgage of the property.

Inspected /Verified:

Name:

Designation:

Date

Confirmed /endorsed:

Name:

Designation:

Date

Annexure 'F'

च. नं

..... ऋणी
..... भक्तपुर
फोन

ध्यानाकर्षण :

मिति :

व्यक्तिगत तथा गोप्य

विषय : कर्जाको स्विकृतीपत्र ।

महाशय,

तपाईं (उप्रान्त ऋणी भनिएको) ले नेपाल क्रेडिट एण्ड कमर्स बैंक लिमिटेड (उप्रान्त बैंक भनिएको) मा पेश गरेको कर्जा आवेदन उपर कारबाही हुदा देहाय वमोजिमको धितो सुरक्षणमा तपसिलमा उल्लेखित शर्त बन्देजहरु पालना गर्ने गरी भईरहेको कर्जा तथा सुविधाहरु नविकरण र नया कर्जा थप गरिएको व्यहोरा जानकारी गराउदछौं ।

पक्षहरु :

- १.१ (यस पछि "ऋणी" भनिएको)
१.२ नेपाल क्रेडिट एण्ड कमर्स बैंक लिमिटेड (यसपछि "बैंक" भनिएको)

१.	कर्जा तथा सुविधाको विवरण :	
(क)	सुविधाको किसिम : कर्जा (..... Loan)
	सिमा :	अधिकतम रु अक्षरेपी रूपैया मात्र ।
	उद्देश्य : लगानी गर्न ।
	अवधि :	इ.स. / २० सम्म ।
	व्याज :	स्वीकृत लिमिट मध्येबाट उपभोग गरिएको हदसम्ममा तोकिएको प्रतिशत वार्षिक व्याजदरले दैनिकरूपमा व्याज गणना गरि आश्वीन, पौष, चैत्र र आषाढ महिनाको अन्तमा वा अन्तिम भुक्तानीका दिन एकमुष्ठ असुल उपर गरिनेछ । यो व्याज दर समय समयमा नेपाल राष्ट्र बैंक वा बैंकले निर्धारण गरे वमोजिम परिवर्तन हुन सक्नेछ ।

	सेवा शुल्क :	कर्जा सिमाको प्रतिशत सेवा शुल्क लगाई कर्जा प्रवाह गर्नु अगावै असुल उपर गरिने छ ।
	कर्जा सुचना शुल्क :	रु..... (अक्षरपी रूपैया मात्र) ।
	कर्जा भूक्तानी	कर्जाको मितीमा भूक्तानी गर्नुपर्नेछ ।
२.	धितो सुरक्षण विवरण (Security Detail) :	
	ऋणीले लिने वा लिएको तथा भविष्यमा लिने सम्पूर्ण कर्जा तथा सुविधाहरु निम्न बमोजिमको सम्पत्ति तथा लिखतहरुले सुरक्षित राखिनेछ ।	
२.१	ऋण फर्मको सम्पूर्ण चालु संपत्ति र लेनाको हाईपोथिकेसन ।	
२.२	ऋण फर्मको कर्जा तमसुक, प्रतिज्ञा पत्र र प्रोपाईटर किशोर सुब्बा लिम्बुको व्यक्तिगत जमानी र प्रतिज्ञा पत्रको लिखतहरु लगायत बैंक नियमानुसारका अन्य कागजातहरु ।	
२.३	स्टक मौज्दात र धितो पारित घरको बैंक नियमानुसारको विमा ।	
२.४ ^उ को स्वामित्वमा रहेको का. जि. का. म.न.पा साविक बडा नं स्थित कि.नं, क र को क्षे. फ , , को जग्गा र घर समेत बैंकको नाममा दृ. व पारित भई रोकका रहेको छ । धितोको मिति मा कन्सलेन्सी इन्जिनियर्स बाट मुल्याङ्कित बजार मुल्य रु लाख र डिस्ट्रेस मुल्य रु लाख रहेको छ । दृ. व मिति , र. नं, रोकका मूल्य रु लाख ।	
२.५ ^उ को स्वामित्वमा रहेको जिल्ला, स्थित कि.नं को क्षे. फ व.मि. को जग्गा बैंकको नाममा दृ. व पारित भई रोकका रहेको छ । धितोको मिति मा कन्सलेन्सी इन्जिनियर्स बाट मुल्याङ्कित बजार मुल्य रु लाख र डिस्ट्रेस मुल्य रु लाख रहेको छ । दृ. व मिति , र. नं, रोकका मूल्य रु लाख ।	
२.६	यस स्विकृती पत्र यस भन्दा अगाडि जारी भएका तमाम कर्जा स्विकृतीपत्रहरुको अभिन्न अंश रही त्यसैको निरन्तरतामा बुझनुपर्नेछ ।	
३.	व्याज : अन्यथा व्यवस्था गरिएकोमा वाहेक यस कर्जा सुविधा स्वीकृतिपत्रमा तोकिएको व्याज दरले बाँकी रहेको कर्जामा दैनिक व्याज गणना गरी सांचा तथा पाकेको व्याजको किस्ता प्रत्येक महिना/ त्रैमासको अन्तमा असुल उपर गरिने छ । बैंकले ऋणीलाई सूचित गरी कर्जाको व्याजदर बैंकको निर्णय अनुसार परिवर्तन र घटिवढी गर्न सक्नेछ सो बमोजिम परिवर्तित दरले व्याज तिर्नु पर्नेछ । कर्जा समयमा भुक्तानी नभएको अवस्थामा वा यस कर्जा स्वीकृतिपत्रमा उल्लेखित शर्त तथा वन्देजहरुको उल्लंघन भएमा वा स्वीकृत सीमा भन्दा बढी कर्जा उपभोग गरेमा विना पूर्व सूचना यस कर्जा	

..... को कर्जा स्वीकृति पत्र

	स्वीकृतिपत्रमा उल्लेखित व्याज दरमा कम्तीमा ३ प्रतिशत थप व्याज लगाई असुल उपर गरिनेछ ।
४.	पुनरावलोकन : डिमाण्ड लोन बाहेकका कर्जा सुविधाहरु वार्षिक रूपमा नविकरण गर्न सकिने छ । नविकरण मिति जेसुकै उल्लेख गरिएको भएता पनि ऋणीले लिएका कर्जा तथा सुविधाहरु कुनै कारण देखाई वा नदेखाई बैंकले फिर्ता भुक्तानी माग गरेका बखत तत्कालै भुक्तानी गर्नु पर्नेछ । सुविधाको नविकरणका बखत वार्षिक नविकरण शुल्क बैंक नियमानुसार लगाई असुल उपर गर्नेछ ।
५.	निरिक्षण :
	कुनै पूर्व तयारी नगरी बैंकले आवश्यक देखेको समयमा हाइपोथिकेट गरेका वा धितो सुरक्षण दिएका सम्पत्तिहरुको निरिक्षण गर्न बैंक अधिकृत रहको छ । यसरी नीरिक्षण गर्दा लाग्ने सबै किसिमका खर्चहरु ऋणीले व्यहोर्नु पर्ने छ ।
६.	शर्त वन्देजहरु : सुविधा समाप्त नभएसम्म वा कुनै रकम कलम वा दायित्वहरु वांकी रहे सम्म ऋणीले निम्न वमोजिमको शर्त वन्देजहरु अविच्छिन्न रूपमा पालना गर्नु पर्नेछ ।
६.१	आर्थिक वर्ष समाप्त भएको छ महिना भित्र लेखापरीक्षण भएको वार्षिक वित्तीय विवरण बैंक समक्ष पेश गर्नु पर्नेछ ।
६.२	समय समयमा बैंकको आवश्यकता अनुसार ऋणीको कारोबार सम्बद्ध वित्तीय विवरणहरु, नाफा नोक्सान हिसाब, वासलात, नगद प्रवाह विवरण वा व्यवसायिक योजना वा सूचनाहरु व्यवस्थापनद्वारा प्रमाणित गराई ऋणीले बैंक समक्ष पेश गर्नु पर्ने छ ।
६.३	ऋणीले मासिक/त्रैमासिक रूपमा व्यवसायसंग सम्बन्ध राख्ने विकी विवरण, स्टक विवरण, तिनु पर्ने खाता र उठाउनु पर्ने उद्धारो खाताको विवरण त्रैमास समाप्त भएको दिन भित्र बैंक समक्ष पेश गर्नु पर्ने छ ।
६.४	ऋणीले बैंकलाई धितो लेखिदिएको हाइपोथिकेटेड लगायतका सम्पूर्ण सम्पत्ति समेत उपरको जोखिम सुरक्षीत गर्नका लागि अग्नि, भुक्तम्प धक्का, बढी पहिरो, चोरी तथा नक्वजनी, आतंक हुलदुंगा, हड्डताल, मरिन, व्यवसायको क्षति मालिसियस ढायामेज, असीमित तेश्रो पक्षको जोखिम र अन्य सम्बन्धित क्षति समेत समावेश गरी आवश्यक बैंकसे क्लज सहित विमा गरी गराई बैंकको नाममा इन्डोर्स समेत गरी सक्कलै विमालेख तथा विमाशुल्क तिरेको रसिद समेत ऋणीले बैंकलाई दिनुपर्नेछ । विमालेखको म्याद समाप्त हुनासाथ नविकरण गरि नविकरण भएको विमालेख र नविकरण शुल्क वुझाएको रसिद बैंकलाई उपलब्ध गराउनु पर्नेछ । ऋणीले विमा नगरेमा वा विमा नविकरण नगराएमा बैंक आफैले सम्पत्तिहरुको विमा गराई/नवीकरण गराई सो वापत लाग्ने शुल्क ऋणीको खातावाट सोझै भुक्तानी गरी बैंकले तत्कालै ऋणीवाट असुल उपर गर्नेछ ।
६.५	बैंकले आवश्यक देखेको समयमा ऋणीले धितो सुरक्षण राखेको रियल स्टेट सम्पत्ति, घरजग्गाको पुर्नमूल्यांकन गरी बैंकमा पेश गर्नु पर्नेछ । यसरी पुर्नमूल्यांकन गर्न लाग्ने खर्च ऋणी आफैले व्यहोर्नु पर्नेछ ।
६.६	आवश्यक परेमा बैंक समक्ष ऋणीले धितो राखेको सम्पत्ति पुरै वा आर्थिक रूपमा बैंकले अरु कुनै तेश्रो पक्षलाई पुनः धितो दिन सक्नेछ ।

६.७	ऋणीले सदैव प्रचलित कानूनको अनुपालना गर्नु पर्नेछ ।
६.८	बैंकको पूर्व स्वीकृति विना अन्य कुनै बैंक तथा वित्तीय संस्थावाट कुनै किसिमको कर्जा सुविधा उपभोग गर्न पाइने छैन ।
६.९	कर्जा वा सुविधा प्राप्त गरेका व्यक्ति स्वीकार गरे वाहेक ऋणीले प्राप्त गर्ने कर्जा वा सुविधा वा त्यसको अंश अन्य कुनै उद्देश्यको लागि उपयोग गर्न पाइने छैन ।
६.१०	ऋणीले अरु संस्थासंग बैंकिङ्ग कारोबार गर्न सर्वप्रथम बैंकलाई प्रस्ताव गर्नु पर्ने छ ।
६.११	बैंकको पूर्व स्वीकृति नलिई ऋणीले आफूसंग रहेका सम्पत्तिहरु अरु कसैको वा कुनै निकायका नाममा हस्तान्तरण गर्न, वा अरु कुनै निकायसंग मर्जर गर्न वा विलिन हुन वा अन्य निकायलाई प्राप्त गर्न वा एकिकरण हुन पाइने छैन ।
६.१२	बैंकको पूर्व स्वीकृति विना ऋणीको स्वामित्व वा नियन्त्रण परिवर्तन गर्न वा यससंग सम्बद्ध कुनै घटना परिघटनामा परिवर्तन गर्न पाइने छैन ।
६.१३	(क) बैंकको पूर्व स्वीकृति विना यस अधि गरी आएको ऋणीको व्यवसायको प्रकृतिमा कुनै महत्वपूर्ण परिवर्तन गर्न वा अन्य कुनै किसिमले ऋणीको ट्रेडिङ व्यवसाय वा उत्पादनमूलक कृयाकलापमा भिन्नता ल्याउन पाइने छैन । (ख) ऋणीले आफ्नो कारोबारको कानूनी अस्तित्व यथावत सुरक्षित र कायम राख्नु पर्ने छ । व्यवसाय सञ्चालनमा कुनै किसिमले कमी आउने कियाकलापमा संलग्न हुन पाइने छैन ।
६.१४	(क) बैंकको पूर्व स्वीकृति विना ऋणीको सम्पत्ति अन्य कुनै बैंक वित्तीय संस्था वा कर्जा लगानी गर्ने कुनै संस्थालाई धितो दिन पाइने छैन । (ख) बैंकमा धितो दिएको सम्पत्ति राम्रो चालु हालतमा राख्नु पर्ने छ । (ग) बैंकमा धितो राखिएको सम्पत्तिको सम्बन्धमा कुनै प्रकारको विवाद सिर्जना भएमा बैंक र ऋणीको आफ्नै अधिकार सुनिश्चित गर्न ऋणीले सबै सावधानी अपनाउनु पर्ने छ ।
७.	<u>अन्य शर्त वन्देजहरु:</u> यसका अतिरिक्त ऋणी निम्न शर्त वन्देजहरु स्वीकार गर्दछ ।
७.१	यो कर्जा/सुविधा लिंदा लाग्ने सबै प्रकारका खर्चहरु ऋणीले व्यहोनेछ ।
७.२	बैंकले पूर्व सूचना दिएर वा नदिई पनि कर्जा/सुविधालाई नियमित बनाई राख्न ऋणीको खाता खर्च गर्न सक्नेछ । यसका लागि ऋणीले आफ्नो खातामा पर्याप्त रकम कायम राख्नु पर्नेछ । ऋणीको खातामा पर्याप्त रकम नभई कर्जा वा सुविधाको किस्ता खिलाफी भएमा ऋणीले बैंक नियमानुसार विलम्ब शुल्क तिर्नु पर्नेछ । बैंक जमानत वमोजिमको रकम बैंकले भुक्तानी गरेमा जमानीको रकम बैंकले ऋणीको खातामा खर्च लेखी सोझै असुल उपर गर्ने छ ।
७.३	ऋणीले सबै किसिमका कर, फि, शुल्क तथा लाग्ने दैदस्तुर र अविवादित ज्यालाको भुक्तानी समयमै गर्नु पर्ने छ ।
७.४	सबै किसिमका भै परि आउने खर्चहरु संस्थापक/सञ्चालक/शेयरधनीवाट पूँजी वा विना व्याजको ऋण उठाएमा बैंकको कर्जा सुविधा पूर्ण रूपमा चुक्ता भुक्तानी गरे पर्ने छ । संस्थापक/सञ्चालक/शेयरधनीवाट कुनै ऋण उठाएमा बैंकको कर्जा सुविधा पूर्ण रूपमा चुक्ता भुक्तानी गरे

..... को कर्जा स्वीकृति पन्न

	पछि मात्र त्यस्तो ऋण चुक्ता गर्नु पर्ने छ ।
७.५	संस्थापक/ सञ्चालक/ शेयरधनीवाट लिएको ऋणको भुक्तानी गर्नु पूर्व बैंकको पूर्व स्वीकृति लिनु पर्ने छ ।
७.६	बैंकमा भुक्तानी गर्नु पर्ने रकम वाँकी रहेको अवस्थामा शेयरधनी वा साझेदारलाई कुनै लाभाश भुक्तानी गर्न पाइने छैन । यस बैंकको साधारण शेयरको १ प्रतिशत भन्दा बढी र एक कित्ता वा बढि संख्यामा संस्थापक शेयर धारण गर्न पाइने छैन ।
७.७	स्टक र उठाउनु पर्ने उधारोको रकमले कर्जा रकम खाम्न नसक्ने भएमा कुल कर्जाको सिमा तत्कालै घटाईने छ र नपुग रकम तत्कालै भुक्तानी गर्नु पर्नेछ ।
७.८	ऋणी वा यस कर्जा/ सुविधाको लागि जमानी दिने जमानीकर्ताले यस बैंकको १ -एक) प्रतिशत वा सो भन्दा बढी शेयर धारण पाइने छैन । साथै कर्जा चुक्ता नभईन्जेल यस बैंकको संस्थापक शेयर धारण गर्न पाइने छैन ।
७.९	बैंकले प्रचलित नेपाल कानून र नेपाल राष्ट्र बैंकको निर्देशिका वमोजिम ऋणी वा ऋणीसंग सम्बद्ध व्यक्ति उपर कुनै कारबाही सुरु गर्नका लागि कर्जा सूचना केन्द्र वा अन्य सक्षम निकाय समक्ष सिफारिश गर्न सक्नेछ ।
७.१०	यो कर्जा सुविधा स्वीकृति पत्रमा उल्लेखित कुनै पनि शर्त वन्देज ऋणीले उल्लंघन गरेको कारणले कुनै हानी नोक्सानी वा क्षति भएमा ऋणी आफैले व्यहोर्नु पर्ने छ ।
७.११	बैंकबाट उपभोग गरेको कर्जा सुविधा र ऋणीको स्वलगालीको (Debt Equity ratio) अनुपात २.३३ भन्दा बढी हुन हुने छैन ।
७.१२	कम्पनीको चालु सम्पत्ति र दायित्वको अनुपात (Current ratio) २ भन्दा कम हुन हुने छैन ।
७.१३	कर्जा सुविधाको व्याज तिर्ने अनुपात (Interest coverage ratio) १.५ मा वा सो भन्दा बढी कायम गर्नु पर्ने छ ।
८.	<u>किस्ता/ कर्जा खिलाफीको अवस्था :</u> देहायमा उल्लेखित कुनै एक वा सबै अवस्था सिर्जना भएमा किस्ता / कर्जा खिलाफी भएको मानिने छ ।
८.१	ऋणीले उपलब्ध गराएको कुनै पनि किसिमको विवरण, प्रतिनिधित्व, प्रतिवद्वता वा अन्य कुनै पत्राचार वा कर्जा आवेदन वा उपलब्ध गराएको कुनै वित्तीय विवरणहरु तात्कालिक रूपमा असत्य, गलत वा भुट्ठा वा गलत सूचना प्रवाह हुने खालको भएमा ।
८.२	ऋणीको हैसियत, कानूनी अस्तित्व वा कानूनी निकायको सम्बन्धमा वा ऋणीको आर्थिक अवस्था, प्रतिवद्वता वा दायित्व वा बढोत्तरी कार्यक्रमहरु वा ऋणीको पूँजीगत खर्चको सम्बन्धमा बैंकलाई समयमा जानकारी नगराएमा वा लुकाउने प्रयास गरेमा ।
८.३	ऋणीले कुनै सांवा तथा व्याजको किस्ता भुक्तानी गर्नु पर्ने समयमा भुक्तानी गर्न असफल भएमा वा भुक्तानी नगरेमा ।
८.४	ऋणीले कुनै शर्त वन्देजको पालना नगरेमा वा शर्त वन्देज पालना गर्न असक्षम भएमा ।

८.५	कुनै असाधारण परिस्थितिको सिर्जना भयो तर बैंकको विचारमा त्यस्तो अवस्था शंकास्पद भई ऋणी यो कर्जा सुविधा स्वीकृतिपत्र वमोजिम पुरा गर्नु पर्ने दायित्व पुरा गर्न सक्षम छ भन्ने लागेमा बैंकको विचार अविवादित, अन्तिम र ऋणीको लागि बन्धनकारी हुनेछ ।
८.६	ऋणीले बैंकमा राखेको धितो पुरै वा आंशिक रूपमा कच्चा ठहरियो वा कुनै अड्डा अदालतको आदेशले तहसिलमा गएमा
८.७	ऋणीले व्यवसाय बन्द गरेमा वा गरीरहेको व्यवसायको प्रकृतिमा महत्वपूर्ण परिवर्तन गरेमा ।
८.८	बैंकमा धितो रहेको सम्पत्तिको पुरै वा आंशिक भाग खारेज गर्न वा अरु कसैलाई दिन वा कुनै किसिमको चार्ज सिर्जना गर्न वा कुनै कानूनी कारवाही गर्न ऋणीले स्वीकृति दिएमा वा ऋणी आफैले वा कुनै अड्डा अदालतवाट लिक्वीडेटर वा अन्य लाभग्राही नियुक्त गरेमा ।
८.९	ऋणीको कुनै सम्पत्ति वा कारोबारको पुरै वा आंशिक अंश जफत भएमा वा जफत हुने भएमा वा ऋणीको कारोबार वा सम्पत्ति कुनै सरकारी निकाय वा कुनै अड्डा अदालत वा कुनै पक्ष वा व्यक्ति वा संस्थाले बन्द गरेमा वा निलम्बन गरेमा
८.१०	ऋणीले अरु कसैवाट लिएको ऋण समयमा भुक्तानी गर्न नसकेमा बैंकलाई देहायमा लेखिए वमोजिम गर्ने अधिकार हुने छ, (क) भुक्तानी गर्न बाँकी रहको सबै कर्जा तथा सुविधा र सोमा लाग्ने व्याज सहितको सम्पूर्ण लेना रकम तत्काल भुक्तानी गर्नु पर्ने गरी घोषणा गर्न सक्नेछ । (ख) यस कर्जा सुविधा स्वीकृति पत्रको दफा ३ मा लेखिए वमोजिम व्याज लगाई असुउपर गर्न सक्ने छ । (ग) बैंकलाई लेखिदिएको सबै धितो सुरक्षणहरु आफ्नो नियन्त्रणमा लिई लिलाम विकी वा अन्य कुनै व्यवस्था गरी सोवाट प्राप्त रकम कलम कर्जा हिसावमा मिलान गर्न सक्ने छ । (घ) किस्ता/कर्जा खिलाफीको कारणले सिर्जित केही वा सबै अधिकारहरु समर्पण गर्न सक्नेछ । (ङ) बैंकले उपलब्ध गराएको एक वा सो भन्दा बढी बैंकिङ सुविधाहरुमा भै रहेको शर्त बन्देजहरुमा परिवर्तन गर्न सक्नेछ । (च) कुनै सुविधासंग सम्बद्ध दायित्वको लागि नगद भुक्तानी माग गर्न सक्ने छ । (छ) किस्ता/कर्जा खिलाफीको कारणले सिर्जित केही वा सबै अधिकारहरु समर्पण गर्न सक्नेछ । (ज) बैंकमा धितो सुरक्षण दिएको सम्पत्ति वाहेक ऋणी र जमानीकर्ता र निजका परिवारका सदस्यहरुको नाममा रहेका अन्य सम्पूर्ण चल अचल सम्पत्तिहरु रोक्का राख्न सक्नेछ । (झ) ऋणीको बैंक खातामा जम्मा भएको सबै रकमहरु रोक्का राख्न सक्ने छ । (ञ) कर्जा तथा सुविधाको भुक्तानीको अवधि नाघेको मितिलाई नै ऋणीले अन्तिम सूचना प्राप्त गरेको अकाट्य प्रमाण मानी बैंकिङ कानून वमोजिम बैंकले असुली प्रकृया आरम्भ गर्न सक्नेछ । (ट) यो कर्जा सुविधा स्वीकृति पत्रमा उल्लेख नभएको कुनै बैंकिङ सुविधा ऋणीले बैंकवाट उपभोग गरेको रहेछ र सो सुविधाको किस्ता/ कर्जा खिलाफी भएको रहेछ भने सो समेत यसै कर्जा स्वीकृति पत्र वमोजिम प्रवाह भएसरह मानिनेछ र सम्पूर्ण कर्जा सुविधा फिर्ता भुक्तानी माग गर्न र सम्पूर्ण कर्जा तथा सुविधा तत्कालै भुक्तानी गराउन बैंक पूर्ण रूपमा अधिकृत रहेको छ ।
९.	लागू हुने पूर्व शर्त :यो कर्जा सुविधा प्राप्त गराउने, यस कर्जा सुविधाको लागि माथि दफा २ मा लेखिएको सम्पत्तिको रूपमा उपलब्ध गराउने र धितो सम्पत्तिका लिखतहरु लगायतका कर्जा सुविधासंग सम्बन्धित कानूनी कागजपत्रमा सहीछाप गर्ने, यो कर्जा स्वीकृतिपत्र स्वीकार गर्ने कार्यहरु ऋणीले विधिवत गर्नुपर्ने छ ।

..... को कर्जा स्वीकृति पत्र

	<p>तपसिल वमोजिमका कानूनी कागजातहरुले समेत कर्जा तथा सुविधाहरुको सुरक्षण लिखतको काम गर्ने छन् ।</p> <p>(क) निरन्तरताको पत्र । (ख) कर्जा तमसुक । (ग) क्षतिपूर्ती लिखत ।</p> <p>यो कर्जा स्वीकृति पत्र ऋणीलाई स्वीकार्य भएमा प्रस्ताव गरेको मितिले १५ दिन भित्र यसको प्रतिलिपिमा दस्तखत गरी बैंकलाई फिर्ता गर्नु होला । बैंकले कर्जा तथा सुविधा स्वीकृति गर्दाको परिस्थितिको विपरित नकारात्मक परिस्थिति सिर्जना भएमा यो कर्जा स्वीकृति पत्रमा ऋणीले स्वीकृति जनाउनु भन्दा अगावै बैंकले कर्जा सुविधा फिर्ता गर्न सक्नेछ ।</p>		
१०.	<p>घोषणा (Declaration) : ऋणी देहायमा उल्लेखित विवरणहरु सही र सत्य छन् भन्ने कुराको विना शर्त घोषणा गर्दछ ।</p>		
१०.१	सबै कारोबारी लिखतहरु कानूनी रूपमा बन्धनकारी हुनेछन् ।		
१०.२	कुनै किसिमको किस्ता खिलाफीको अवस्था जानी जानी उपस्थिति रहेको छैन ।		
१०.३	ऋणी वा जमानीकर्ता माथि कुनै पनि मुद्दा मामिला चलिरहेको वा मुद्दा लागेको अवस्था विद्यमान छैन ।		
१०.४	कुनै कानून, इजाजतपत्र, कम्पनीको प्रवन्धपत्र तथा नियमावली, विधान, सर्वसम्मत सम्झौताको वर्खिलाप भए गरेको छैन		
११.	<p>छुट (Waiver)</p> <p>कुनै खास अधिकार छोडेको लिखित सूचना ऋणीले प्राप्त नगरे सम्म यस कर्जा स्वीकृतिपत्र वमोजिम बैंकलाई प्राप्त अधिकारमा कुनै किसिमको छुट प्रदान भएको मानिने छैन । बैंकले एक पटक सबै वा केही अधिकारहरुको प्रयोग गरेमा वा नगरेमा ती अधिकारहरु पुनः प्रयोग गर्न सक्नेछ ।</p>		
१२.	<p>सूचना (Notice)</p> <p>कुनै पनि सूचना गर्नु परेमा देहाय वमोजिमको ठेगानामा पत्राचार गरी वा फ्राक्स मार्फत आदान प्रदान गर्न सकिने छ</p> <table border="1"> <tr> <td style="vertical-align: top;"> <p>बैंक</p> <p>नेपाल क्रेडिट एण्ड कमर्स बैंक लिमिटेड,</p> <p>पोष्ट बक्स नं. १२५५९,</p> <p>काठमाण्डौ नेपाल । टेलिफोन ४२४६९९९,</p> <p>फ्राक्स नं. ४२४४६९०, ४२२७४९५</p> </td> <td style="vertical-align: top;"> <p>ऋणी</p> <p>.....</p> <p>.....भक्तपुर</p> <p>फोन</p> </td> </tr> </table>	<p>बैंक</p> <p>नेपाल क्रेडिट एण्ड कमर्स बैंक लिमिटेड,</p> <p>पोष्ट बक्स नं. १२५५९,</p> <p>काठमाण्डौ नेपाल । टेलिफोन ४२४६९९९,</p> <p>फ्राक्स नं. ४२४४६९०, ४२२७४९५</p>	<p>ऋणी</p> <p>.....</p> <p>.....भक्तपुर</p> <p>फोन</p>
<p>बैंक</p> <p>नेपाल क्रेडिट एण्ड कमर्स बैंक लिमिटेड,</p> <p>पोष्ट बक्स नं. १२५५९,</p> <p>काठमाण्डौ नेपाल । टेलिफोन ४२४६९९९,</p> <p>फ्राक्स नं. ४२४४६९०, ४२२७४९५</p>	<p>ऋणी</p> <p>.....</p> <p>.....भक्तपुर</p> <p>फोन</p>		

अधिकृत दस्तखत

अधिकृत दस्तखत

को कर्जा स्वीकृति पत्र

यस पत्रमा उल्लेखित सम्पूर्ण शर्त तथा बन्देजहरु मलाई पूर्ण मन्जुर छ । उपरोक्त बमोजिम वैकबाट प्राप्त हुने ऋण कर्जा सुविधा तथा अन्य दायित्व तिर्न बुझाउन मेरो पूर्ण मन्जुरी रहेकोले यो कर्जा स्वीकृतिपत्रमा स्वीकृति जनाई सही छाप गरी तपाईं बैकलाई दियाँ र यसै बमोजिमको एक प्रति पत्र बुझिलाई ।

दस्तखत र संख्याको छाप-	दा.
दस्तखत गर्नेको नामः-	वा.
नागरिकता नं., मिति र कार्यालयः-	, जि.का.
अखिलयार प्राप्त व्यक्तिको ठेगाना:-	भइ हाल, काठमाडौं
वावुको नामः-	
वाजेको नामः-	

साक्षी :

(१) दस्तखत : नाम : ठेगाना :

सनाखत साक्षी

ऋणीलाई म राम्री चिन्दछु निजले मेरो सामुन्नेमा सही छाप गरेको ठीक साँचो हो भनी सही छाप गर्ने धनी बैकमा कार्यरत कर्मचारी १^१
इति सम्बत २०७५ साल महिना गते रोज शुभम् ।

जमानतकर्ताको स्वीकारोक्ति

नेपाल क्रेडिट एण्ड कर्मशा बैंक लिमिटेड,

काठमाण्डौ मुख्य शाखा,

बागबजार

काठमाण्डौ नेपाल ।

यस बैकको चलानि नं मिति बमोजिम लाई प्रदान हुने कर्जा सुविधा नविकरण र थपको पत्रमा उल्लेखित सम्पूर्ण शर्त तथा बन्देजहरु म/हामि तपशिलमा उल्लेखित जमानतकर्ताहरुलाई पूर्ण मन्जुर छ । उपरोक्त पत्रबमोजिम वैकबाट प्राप्त हुने ऋण कर्जा सुविधा तथा अन्य दायित्व तिर्न बुझाउन मेरो/ हाम्रो पूर्ण मन्जुरी रहेकोले यो पत्रमा स्वीकृति जनाई सही छाप गरी तपाईं बैकलाई दियौं ।

.....

नाम

नागरिकता नं

ठेगाना

पिता

बाजे

को कर्जा स्वीकृति पत्र

Nepal Credit & Commerce Bank Ltd
..... **Branch**

Annexure G

Calculation of Drawing Power of borrower		Rs '000'
A	Stock Value	
B	Debtors Value	
C	Creditors Value	
	Net Current Assets (A+B-C)	

1. Ageing of debtors to be obtained as under:

Debtors	Value in Rs
Below 30 days	
31-60 days	
61-90 days	
Above 90 days	
Total	

2. Details of Stock to be obtained as under:

SN	Particulars	Unit	Rate	Amount

3. Remarks:

- a. Only debtors values having ageing below 90 days to be considered for DP calculation or as per the approved terms.
- b. Drawing power to be maintained based on above NCA as per approved terms.
- c. Stock statement of the borrower to be obtained on periodic basis as per the approved terms.

Prepared by

Reviewed by

Reviewed by

Name:

Designation:

Name:

Designation:

Name:

Designation: