



**NCC Bank**  
नेपाल क्रेडिट एण्ड कमर्स बैंक लि.  
Nepal Credit & Commerce Bank Ltd.

## Product Paper NCC Small Business Loan

### 1) Introduction

- This Product Paper has been structured for financing small sized business enterprises and shall be made effective through internal circular up on approval from the Board of Directors of Nepal Credit and Commerce Bank Ltd.

### 2) Product Name : NCC SMALL BUSINESS LOAN

### 3) Type of Loan

- Working Capital Loan
- Term Loan.

### 4) Purpose of the loan

This product is for financing small and medium scale business units requiring;

- Working Capital** : For stock, receivables management and other working capital requirement.
- Term Loan** : To meet capital expenditure like infrastructure development including purchase of land/office furnishing/purchase of machineries/equipments/instruments, etc.
- Non fund based** : The NFB limit like LC & Guarantee shall also be provided based on the requirement of the borrower.

### 5) Eligibility (one of the given below)

- Proprietorship Firm
- Partnership Firm
- Private Limited Company

Registered under the appropriate Government Authority i.e. Department of Commerce, Department of Cottage & Small Industries, Office of Company Registrar, Municipality, etc

### 6) Target Group :

Small and medium scale business like wholesaler & retailers, cottage, small and medium manufacturing/processing/service units, exports, imports, civil contractors, contract suppliers/manufacturers, workshops, fabricators, educational institutions, service contractors, consultancy, medical and health service providers, tour & travel business, self employed business, service sector business, organized farming/agriculture/ floriculture/ horticulture/ herboculture/,carpet/pashmina manufacturers/traders, boutique, beauty-parlor, handicraft business, training institute, manpower agencies, printing press, food processing including diary, brick manufacturing, etc and any other business as deemed fit.

### 7) Basic Criteria

- The promoter/partner(s)/shareholder(s) should be a Nepali Citizen.

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- b) Two years of profitable operation with minimum turnover of NPR.2.5 million as per the audited/management prepared financials. However, new unit shall be financed based on the merit of the case.
- c) The working capital (OD/Demand Loan/STL, etc) limit shall not exceed 30% of annual sales turnover.
- d) The management prepared financials may also be considered subject to satisfaction of the bank.

#### 8) Loan Amount

- a) Minimum amount of the loan to be NPR 500,000/-
- b) Maximum loan amount NPR 10,000,000/-
- c) The total fund based and non fund based facility to a borrower and their group is restricted to Rs.10,000,000/-.
- d) Maximum loan amount not to be more than 60% of Distress Value of the real estate collateral. However, if the cash flow and current assets of the entity permits, the loan can be extended more than 70% of distress value of real estate collateral.

#### 9) Pricing :

- |                        |   |
|------------------------|---|
| a) Interest Rate       | As published by the bank from time to time  |
| b) Processing Fee      | 1% on the approved loan amount.   |
| c) Prepayment Fee      | 1% on amount prepaid (applicable for TL only)   |
| d) Penal Interest rate | 3% p.a. on overdue principal/interest for the overdue period.                                       |
| e) Loan Swap Fee       | 2% on the outstanding amount  |
| f) Renewal Fee         | maximum up to 0.50% on limit or Rs.5,000/- whichever is higher.<br>in case of working capital loan. |
| g) Loan Management Fee | 0.10% p.a. on outstanding balance in case of TL   |

The interest rate/fees, etc are subject to change as per the management discretion.

#### 10) Repayment :-

- a) Term Loan :- Within a maximum period of 7 year repayable on EMI/EQI Basis
- b) Working Capital (OD/Demand Loan/STL, etc):- With in a maximum period of 1 year subject to renew/review up on satisfactory performance.

#### 11) Moratorium Period : For Term Loan only

- a) Maximum 3 month for acquisition of land/machineries/instruments/equipments, etc.
- b) Maximum 6 months for infrastructure development including 3 months for of land/machineries/instruments/equipments, etc.

#### 12) Disbursement

- a) After completion of security documentation and obtaining real estate mortgage, charge over current assets, insurance, etc.
- b) In case of OD, limit will be created in the overdraft loan account.
- c) Incase of demand loan full disbursement at the beginning. The re-disbursal is subject to full adjustment of previous drawdown and within the valid period.

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d) Incase of TL ;

- i) For infrastructure development- Phase wise disbursement maintaining agreed DE ratio.
- ii) For purchase of office furniture /machineries/tools/equipments/ margin money less advance to be deposited by borrower in the checking account. The bank will make total payment after full and final disbursement of the TL to the seller through Manager's Cheque/banker's Cheque against original VAT bill incase the seller is not our account holder

### 13) Security

Following security documents must be executed,

- a) Accepted copy of Offer Letter.
- b) Registered mortgage over first party or their one house family member's land and/or building within municipal area or VDCs nearby the municipal area with an access of at least 8 ft. motorable road.
- c) First Charge over current assets of the borrower in case of working capital loan ( OD/Demand) loan.
- d) First Charge over fixed assets of the borrower in case of Term Loan.
- e) Personal guarantee of the partner/directors/collateral provider.
- f) Demand Promissory Note
- g) Loan Deed.
- h) Insurance policy & original insurance premium paid receipt of the assets forming part of the security.
- i) Term Loan Agreement ( as applicable)

### 14) Basic Documentation

- a) Completed application form.
- b) Copy of firm/company registration/incorporation certificate ( renewed/valid)
- c) Copy of renewed/valid income tax clearance certificate/PAN Card.
- d) Board Resolution authorizing obtainment of loan(s), if applicable,
- e) Memorandum of Association and Article of Association of the Company.
- f) Partnership deed in case of partnership firm.
- g) Last 2 years audited financial statement with a projected financials for next 1 year. However, for a new venture projected financials for next 3 years.
- h) Copy of Citizenship Certificate /passport and photographs of the proprietor/partner/director/guarantor.
- i) Latest statement of Stock and Receivables.
- j) A report on site visit of the unit and/or the offered collateral conducted by NCC staff.
- k) Income certification incase of other income
- l) Copy of Title Deed (Lal Purja), Location Map, Four Boundry, Trace Map, Blue print, Approved Construction Map, Construction completion Certificate if any, etc.
- m) Others, if any.

### 15) Security Valuation

The approved valuator of the Bank will conduct valuation of the securities as per the standard terms of reference of the bank.

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#### **16) Risk Factor:**

The product is prone to default risk resulting mainly from,

- a) Business failures.
- b) Mismatch of financing/ diversion of fund.
- c) Lack of integrity of the borrowers.
- d) Inability to compete with the competitors/large business units.
- e) Inability of management.
- f) Weak trading performance.
- g) Under financing.
- h) Dispute between promoters.

#### **17) Risk Mitigation:**

The above risk will be mitigated by adopting following measures,

- a) Our finance will be fully secured by the adequate collateral security.
- b) Preferably we will be financing only those units who have proven track record.
- c) Continuous follow up through internal monitoring modules like repayment history, account movement record, inspection of unit, checking of stocks, etc. The market information through pare units will be obtained through informal sources.
- d) Early action for settlement of the loan if any symptom of default is smelled.

#### **18) Credit Approval Discretion (CAD)**

The CAD is rest with Chief Executive Officer.

#### **19) Service Standard:**

Decision within seven days from the date of receipt of complete documents required by the Bank.

#### **20) System :**

- a) A separate Account Type to be defined in the system for this product.
- b) A separate GL code to be used for the purpose.

#### **21) Waivers:**

- Waivers, if any, must be specifically approved by the Chief Executive Officer.
- The Chief Executive Officer shall not be restricted to take any decisions even in deviation to the provisions laid down in this strategy. Such decisions should be informed to the Board of Directors.