

उत्तर प्रदेश ग्रामीण बैंक  
Uttar Pradesh Gramin Bank

प्र.का./अग्रिम/परिपत्र/01/2025-26/05

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सभी शाखाओं एवं कार्यालयों को परिपत्र

प्रधान कार्यालय के अग्रिम विभाग द्वारा जारी

महोदय/महोदया,

विषय: ऋण नीति (Loan Policy) 2025-26 से सम्बन्धित दिशा-निर्देश

अवगत कराना है कि पूर्ववर्ती बड़ौदा यू.पी. बैंक, आर्यावर्त बैंक एवं प्रथमा यू.पी. ग्रामीण बैंक के समामेलन के उपरांत, ऋण निर्णयों में समानता एवं कार्यपद्धति में एकरूपता सुनिश्चित करने हेतु उत्तर प्रदेश ग्रामीण बैंक की ऋण नीति 2025-26 निर्गत की जा रही है। यह नीति दिनांक 01 मई 2025 से प्रभावी होगी।

संलग्न दिशा-निर्देश पूर्ववर्ती बैंकों की समस्त ऋण नीतियों के स्थान पर लागू होंगे और इनका तत्काल प्रभाव से अनुपालन सुनिश्चित किया जाना अनिवार्य है। सभी शाखाएँ/कार्यालय यह सुनिश्चित करें कि संबंधित समस्त अधिकारी एवं कर्मचारी इस नयी ऋण नीति (LOAN POLICY) से भली-भाँति अवगत हों एवं इसका पूर्णतया पालन करें।

नीति के अनुपालन में किसी प्रकार की अस्पष्टता की स्थिति में तत्काल अपने क्षेत्रीय कार्यालय/प्रधान कार्यालय के ऋण विभाग से संपर्क करें।

आपसे अपेक्षा की जाती है कि ऋण से संबंधित समस्त प्रक्रियाएँ नवीन दिशा-निर्देशों एवं निर्धारित मानकों के अनुरूप संचालित की जाएँ।

भवदीय,

(घनश्याम सिंह)

महाप्रबंधक

संलग्न: यथोपरी

# **Uttar Pradesh Gramin Bank**

**Management of Credit Portfolio –**

**Loan Policy 2025-26**

**Loan Policy 2025-26**

**Loan Policy 2025-26**

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## **Loan Policy 2024-25**

### **1.POLICY OVERVIEW**

#### **1.1 Preamble**

**1.1.1** The Loan Policy is a document issued by Bank regarding guidelines on lending and to regulate credit function of the Bank. This policy document shall be called as **UTTAR PRADESH GRAMIN BANK** Loan Policy-2025-26 and shall be effective from the date of 01.05.2025.

**1.1.2** The Reserve Bank of India comes out with guidelines note on management of credit risk from time to time and fine tune the existing risk management systems, to face the emerging challenges in the fast changing environment and to undertake robust credit risk management functions in a more responsive and proactive manner. In the above backdrop, the Bank has upgraded its credit risk policy covering activities where credit risk is assumed.

**1.1.3** The Loan Policy of the Bank has in-built flexibilities to meet the challenges in the market place. The Policy, at the holistic level, is an embodiment of the Bank's approach to sanctioning, managing, and monitoring credit risk and aims at making the systems and controls effective.

**1.1.4** Circulars: Instruction/Information circulars issued from time to time include detailed operating framework, which shall be in consonance with the Loan Policy of the Bank. In case of any contradiction, the guidelines of the Loan Policy shall prevail over any of the earlier circulars issued by the Bank.

**1.1.5** Overall, the Loan Policy document envisages to support healthy credit growth of the Bank.

#### **1.2 OBJECTIVE OF THE POLICY:**

**1.2.1** Bank's Loan Policy is devised for regulating the Bank's resources towards remunerative means, for directed national priorities and also for achieving uniformity in the lending activity bank wide. This policy is meant to cover the macro and micro issues at the broad policy level. Credit deployment is required to be implemented in conjunction with various regulatory and operational guidelines issued from time to time. This Loan Policy would continue as a "Credit Risk Policy" of the Bank.

**1.2.2** The objectives of the loan policy would precisely be as follows:

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- To optimize the risk and return envisaged in order to see that the Economic Value Addition to Shareholders is maximized and the interests of all the stakeholders are protected alongside ensuring corporate growth and prosperity with safety of Bank's resources.
- To ensure credit growth both quantitatively and qualitatively through various channels in line with the common goals and objectives of the Bank.
- To build-up and maintain a well-diversified and fairly high yielding credit portfolio by means of augmentation of interest and non-interest income.
- To comply with the National Priorities in the matter of deployment of institutional finance to facilitate achieving planned growth in various productive sectors of the economy.
- To provide need-based and timely credit to various borrower segments.
- To strengthen the credit delivery system and to instill a sense of credit culture enterprise-wide.
- To strengthen the Credit Risk Management System with parameterization of risk identification, measurement, monitoring and mitigation.
- To set up prudential exposure norms and to address issues of credit concentration.
- To provide for risk based Loan Pricing Policy.
- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of GOI/RBI /NABARD/Sponsor Bank & other authorities.

### **1.3 SCOPE OF THE LENDING POLICY:**

**1.3.1** This Policy covers aspects of Credit Appraisal, Sanction and Disbursement for credit related exposures; Fund Based as well as Non-Fund based and has prescribed acceptance criteria for various forms of Credit Dispensation. These would include Short Term, Medium Term and Long Term based facilities, as also Letters of Credit, Guarantees, Acceptances, Derivatives, Forward Contracts, Underwriting the Loans etc.

**1.3.2** The Policy encompasses exposure to various types of customers such as Individuals, Proprietorship Firms, Partnerships, Association of Persons, Companies registered under the Indian Companies Act, Undertakings owned by the Government, Limited Liability Partnerships (LLPs), Trusts, Societies and others.

**1.3.3** This policy has been made in compliance with all NABARD & RBI and extant regulatory guidelines issued till date. The guidelines enumerated in the policy are applicable for all domestic operations.

### **1.4 TARGET MARKET:**

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**1.4.1** Bank believes in creating and maintaining Enterprise-wide strong credit culture on an on-going basis. The Bank strikes a balance between the business growth and the incremental risk for deciding the business plan and strategy for each year, but as a matter of policy, the bank seeks to maintain a low risk profile, however with due flexibility so as to capture remunerative business at all points of time. Accordingly the bank mends its lending channel to suit its risk-return trade off policy suitably blended to business needs. For the period under review, in addition to laying stress in meeting specific commitments in terms of RBI/NABARD and Government of India directives, the focus area and target markets are:

- Micro, Small and Medium Enterprises (MSMEs) is likely to grow faster in view of high priority being accorded to this segment.
- Retail Finance to grow further with specific thrust on Housing Loans.
- Agriculture Investment Financing is also accorded added focus.
- Financing need-based requirements of various sectors especially housing, education, employment, manufacturing and agriculture including irrigation, Loans to SHGs, JLGs etc. on the lines of policy announcements made by Government of India.

**1.4.2** The following industries/ sectors are presently identified as emerging sectors:-

- IT and IT Enabled Services,
- Bio-Technology,
- Social Infrastructures such as schools, hospitals etc.
- Dairy and allied activities.
- Solar Power and Solar Lighting Systems, Solar Irrigation etc.
- Agro based industries.
- Considering the dynamic nature of Target Market and risk perception, Bank may change the focus suitably to cover the new emerging sectors from time to time.

**1.4.3** Strategy to increase market share :

- The Turnaround Time (TAT) for the credit decision shall be reduced and timeline for, disposal of proposals as enumerated in Policy / guidelines should normally be adhered.
- Branches located in Regions are required to submit all credit proposals falling beyond their delegated authority to respective Regional Offices as per defined norms.
- If the proposal falls within the delegation of H.O., the same shall be forwarded to H.O. for decision by the respective RO through RO with their recommendations.

**1.5 Signing of MoUs with external agencies for development of advances:** Authority for authorising to sign MOU or any other agreement/Tie-up by the bank with the external agencies for development of advance portfolio of the Bank is vested with the Chairman /General Manager with the approval of Chairman.

**1.6 Bank's Area of Operation:**

**1.6.1** Regional Rural Banks are operating their business in certain limited area/districts as per Section 3(1) (amended time to time) of Regional Rural Banks Act, 1976; which states "Government of India may specify the local limits within which each Regional Rural Bank shall operate".

**1.6.2** RBI circular RPCDC.CO.RRB.No.2769I03.O5.215 dated 8th September, 2008 received through NABARD letter no. रा बै/सविवी/आर आर सी बी डी/2038/337 (नीति)/2008-9/ दिनांक 25.11.2008 states that भारत सरकार द्वारा सम्बंधित क्षेत्रों को अधिसूचित किये जाने तक क्षेत्रीय ग्रामीण बैंकों को अपने कमांड / सेवा क्षेत्र / परिचालन क्षेत्र के बाहर के इकाईयों के वित्तपोषण की अनुमति नहीं है।

Thus, Bank's area of operation is the geographical area of operation within 75 districts of Uttar Pradesh.

**1.6.3 Operational Area of a Branch (Service Area and Command Area):**

- Detail instruction regarding Service Area and its relaxation is informed vide Reserve Bank of India letter no. RBI/2025-26/04 FIDD.CO.LBS.BC.No.03/02.01.001/2025-26 01.01.2025 which states that:
- The allocation of villages among the rural and semi-urban branches of banks shall not be applicable for lending, except under Government sponsored schemes. **While the commercial banks and RRBs will be free to lend in any rural and semi-urban area, the borrowers will also have the choice of approaching any branch for their credit requirements.**
- In case, borrower's place of residence or business or office or factory (any one) is outside the geographical area of the city/town but near to the branch, say 10 kms. radius of monitoring, then it will be deemed within the Command Area of the branch. Hence, the Area of Operation for a branch is defined below :
- The area of operation for a Rural Branch is its service area and/or its Command area.
- The area of operation for a semi-urban and urban area branch is restricted to the Town/Panchayat/Municipal/ Corporation limits and/or its Command area including Service Area villages (if any).
- The area of operation for Metropolitan Branches is the Corporation Area and/or its Command Area.

Financing beyond the command area, say 10 Km. and/ or change in Districts / Tehsil will attract permission from the Regional Manager subject to within the area of operation of the Bank.

### **1.7 Priority Sector Advances:**

Reserve Bank of India, vide Mater Directions No: RBI/FIDD/2024-25/128 Master Directions FIDD.CO.PSD.BC.13/04.09.001/2024-25 dated March 24, 2025 addressed to all Commercial Banks including Regional Rural Banks has advised revised guidelines of Priority Sector Advances. The categories under priority sector are as follows:

- i. Agriculture
- ii. Micro, Small and Medium Enterprises
- iii. Export Credit
- iv. Education
- v. Housing
- vi. Social Infrastructure
- vii. Renewable Energy
- viii. Others

Total Priority Sector target /Sub-targets for Regional rural Bank is 75 per cent of ANBC or CEOBE whichever is higher; However, lending to Medium Enterprises, Social Infrastructure and Renewable Energy shall be reckoned for priority sector achievement only up to 15 per cent of ANBC.

### **Common guidelines for priority sector loans:**

Banks should comply with the following common guidelines for all categories of advances under the priority sector.

- (i) **Rate of interest:** The rates of interest on bank loans will be as per directives issued by Department of Regulation (DoR), RBI from time to time.
- (ii) **Service charges:** No loan related and ad hoc service charges/inspection charges should be levied on priority sector loans upto ₹50,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.
- (iii) **Receipt, Sanction/Rejection/Disbursement Register:** A register/ electronic record should be maintained by the bank wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc. should be recorded. The register/electronic record should be made available to all inspecting agencies.
- (iv) **Acknowledgement of loan applications:** Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

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- (v) Banks shall ensure that loans categorised as priority sector lending are granted for approved purposes and the end use is monitored, by putting in place proper internal systems and controls.
- (vi) Each priority sector loan shall be classified only in any one of the eight identified categories mention above.

## **2. LENDING**

### **2.1 Basics of Lending:**

- Bank accepts deposits for the purpose of lending and investment.
- The lending is for meeting the financial requirements of the borrowers and is intended for any productive/ asset creation/ consumption purposes. End-use is normally required to be ensured in all types of lending.
- A borrower may be an individual, group of individual, HUF, Sole Proprietorship, Partnership, Public/Private Limited Company, Limited Liability Partnership Firm, one Man Company, Co-operative Society , Trust, SHG/JLG, Water User Group or any other type of constituent permissible under law, subject to compliance of relevant formalities and on fulfillment of bank's eligibility criteria and other loan specific terms and conditions. However, providing any credit facilities where HUF is shown as a partner in a partnership firm shall not be considered at all.
- Bank meets the borrower's financial requirements through fund- based (FB) and non-fund based (NFB) facilities. Fund Based credit facilities are extended by way of Overdraft, Cash Credit, Demand Loan, Term Loan and Bills Purchase facilities etc. Non-Funded facilities are extended by way of Guarantees.
- Lending to borrowers may be secured or unsecured. 'Security' means tangible security charged to the bank and will not include intangible securities like guarantees, comfort letters etc.
- The Charge on the Security offered, depending on the nature of the security, is created by way of Pledge, lien, Hypothecation, Mortgage, Assignment etc., subject to registration with competent authorities wherever mandatory under the law.
- Bank may also finance under a Consortium arrangement whereby one bank acts as a leader for the purpose of assessment of limits, documentation, creation of charge etc., on mutually acceptable terms and conditions.
- Term Loan is granted for a period of 3 years and above but not exceeding 15 years except in case of scheme specific advance i.e. Housing Loan, where repayment period of more than 15 years is permitted. In case of restructured term loan accounts the tenor of the loan will be considered on merits of each case.

The lending is a continuous activity in the bank with due focus on identification, measurement, monitoring and control of credit risk.

**2.2 On lending through Micro Finance Institutions:** Financial Inclusion is gaining importance of late for promoting inclusive growth and aims at reaching out to more people who deserve credit and who cannot access credit through existing bank branch network. A quicker and effective outreach is possible through the Micro Finance Institutions (MFIs)/ NBFC-MFIs / Non-Government Organizations (NGOs)/ Self Help Promoting Institutions (SHPIs), which would be a better model to achieve the said goal. As per RBI Circular No FIDD.CO.plan.BC.No.14/04.09.01/2015-16 (RBI/2015-16/257) dated 03 December 2015 referred by NABARD vide their Letter No. NB.DoS/POL/1281/J-1/2019-20 dated 19, June 2019 "Loans to NBFC-MFI for on-lending to individual farmers or their SHGs/JLGs is not an eligible activity for being classified as a priority sector Advance in terms of the priority sector guidelines, which loans will be kept outside the priority sector advances & will also be reported accordingly.

**2.3 Restrictions on grant of Loans & Advances:** As per Section 20 (1) of the Banking Regulation Act, 1949 loans and advances to the directors and the firms in which they hold substantial interest are restricted. Purchase of or discount of bills from directors and their concerns, which is in the nature of clean accommodation, is reckoned as 'loans and advances' for the purpose of Section 20 of the Banking Regulation Act, 1949.

The Bank is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company [not being a subsidiary of the banking company or a company registered under Section 8 of the Companies Act, 2013, or a Government company] of which, or the subsidiary or the holding company of which any of the directors of the Bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor.

Without prior approval of the Board or without the knowledge of the Board, no loans and advances should be granted to the Directors of other Bank and close relatives of the Bank's Board or other banks' board of directors, including the directors of scheduled co-operative banks, subsidiaries / trustees of Mutual Funds / Venture Capital Funds set up by the Bank or other banks.

**Unless sanctioned by the Board, the Bank shall not grant loans and advances aggregating Rs.25 lacs & above to:**

- a. Directors (including the Chairman/Managing Director) of other banks \* (Other than personal loans);
- b. any firm in which any of the directors of other banks is interested as a partner or guarantor; and
- c. any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

**Unless sanctioned by the Board, the Bank shall not grant loans and advances aggregating Rs.5.00 crore & above to:**

- a) any relative other than spouse (spouse as specified in para 2.2.1.3 of RBI Master circular no. DBR.No.Dir.BC.10/13.03.00/2015-16 dated 01/07/2015 on Loans and Advances –Statutory and Other Restrictions) and minor / dependent children of their own Chairman/ Managing Directors or other Directors;
- b) any relative other than spouse (spouse as specified in the above point) and minor / dependent children of the Chairman/Managing Director or other directors of other banks\*;
- c) any firm in which any of the relatives other than spouse (spouse as specified in the above point) and minor / dependent children as mentioned in (a) & (b) above is interested as a partner or guarantor; and d) any company in which any of the relatives other than spouse (spouse as specified in the above point) and minor / dependent children as mentioned in (a) & (b) above is interested as a major shareholder or as a director or as a guarantor \*including directors of Scheduled Co-operative Banks, directors of subsidiaries/trustees of mutual funds/venture capital funds.

- The Chairman/Managing Director or any other Director of the Bank who is directly or indirectly connected or interested in any credit proposal shall disclose the nature of his / her interest to the Board when any such proposal is discussed. He / she should not be present in the meeting unless his / her presence is required by the other Directors for the purpose of eliciting information and the Director so required to be present shall not vote on any such proposal.
- The proposals for credit facilities involving an aggregate amount less than Rupees twenty-five lakh or Rupees five crores (as the case may be) to the above-mentioned categories of borrowers may be sanctioned by the appropriate authority as per delegated financial powers. However, such sanctions must be reported to the Board.
- The restrictions as contained in Section 20 of the Banking Regulation Act, 1949 will apply to grant of loans and advances to spouse and minor / dependent children of the Directors of the Bank. However, loans or advances can be granted to or on behalf of spouses of the Bank's Directors in cases where the spouse has his / her own independent source of income, and the facility so granted is based on standard appraisal and assessment procedures. All such credit proposals involving an aggregate amount of Rupees twenty-five lacs and above should be sanctioned by the Bank's Board of Directors. The proposals for aggregate amounts not exceeding Rupees twenty-five lacs may be sanctioned by the appropriate authority as per delegated financial powers, subject to notifying the Board of such sanctions.

**2.3.1 In this regard, declaration as under shall be obtained from every borrower stating that:**

- He/ She is not a director or specified near relation of a director of a banking company (where the borrower is an individual)
- None of the partners is a director or specified near relation of a director of a banking company (where the borrower is a partnership firm); and

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- None of its directors is a director or specified near relation of a director of a banking company (where the borrower is a joint stock company)

The declaration should also give details of the relationship of the borrower to the director of the bank, if any.

#### **2.4 Grant of loans & advances to the staff and the relatives of the Bank Staff:**

All staff relative loan accounts shall be sanctioned by the Regional Manager Credit Committee (RMCC) headed by Regional Manager at Regional office and General Manager Credit Committee at Head Office.

Loan proposals (under public scheme of staff members shall be considered by RMCC of the respective Branches/offices wherein loan application is moved on as per the general lending powers meant for the public schemes.

##### **2.4.1** The scope of the term 'relative' will be as under:

- Spouse
- Father
- Mother (including step-mother)
- Son (including step-son)
- Son's Wife
- Daughter (including step-daughter)
- Daughter's Husband
- Brother (including step-brother)
- Brother's wife
- Sister (including step-sister)
- Sister's husband
- Brother (including step-brother) of the spouse
- Sister (including step-sister) of the spouse
- Parent-in-law

#### **2.5 Advances against Fixed Deposits Receipts issued by other Banks:**

Bank should desist from sanctioning advances against FDRs, or other term deposits of other banks.

#### **2.6 Financing of Housing Projects:**

Bank will not grant finance for construction of buildings meant purely for Government/ Semi-Government offices, including Municipal and Panchayat offices. However, bank may grant loans for activities, which will be refinanced by institutions like NABARD/NHB/HUDCO.

In case of housing projects which the government is interested in promoting either for weaker section or otherwise, a part of the project cost may be met by the Government through subsidies made available and/ or contributions to the capital of the institution taking up the project.

In such cases, bank finance should be restricted to the project cost excluding the amount of subsidy/ capital contribution from the Government. The bank should ensure the commercial viability of the project.

### **2.7 Issue of Bank Guarantees in favor of Financial Institutions:**

Bank may issue guarantees favoring other banks / FIs, other lending agencies for the loans extended by the latter, subject to strict compliance with the RBI guidelines from time to time.

- Bank shall not be party to unethical practices of raising of resources through agents/intermediaries/ to meet the credit needs of the existing /prospective borrowers or from granting loans to the intermediaries, based on the consideration of deposit mobilization, who may not require the funds for their genuine business requirements, except loans to NGOs/MFIs who are duly approved by NABARD/RBI for promoting Micro Finance in Bank's area of operation.

## **3. CREDIT APPRAISAL & DISBURSEMENT**

### **3.1 Know Your Customer (KYC) Guidelines:**

The guidelines relating to Know Your Customer (KYC) principle are applicable to all borrower customers. Guidelines are issued under Section 35(A) of the Banking Regulation Act- 1949 and any contravention of the same attracts penalties under the relevant provisions of the Act.

"Know Your Customer" (KYC) procedures should be the key principle for identification of an individual / corporate while opening an account. The customer identification / verification should be through an introductory reference from an existing account holder / a person known to the bank or on the basis of documents provided by the customer in accordance with the Reserve Bank of India guidelines issued from time to time.

The guidelines of KYC are not only for establishing the identity of the person but also satisfying about his credentials by obtaining an introductory reference from a known person. The due diligence expected under KYC procedures involves going into details. It is not a responsibility, which ends with opening of the accounts and monitoring of transactions in the initial few months of opening of the account, but monitoring should be an on-going process.

#### **Key Elements of the KYC Policy:**

- a) Customer Acceptance Policy
- b) Customer Identification Procedures
- c) Ongoing monitoring and record-keeping.
- d) Risk assessment and management (due diligence, part of the KYC process)

### **3.2 Due Diligence**

Due Diligence is an integral part of credit process and compliance of the same should be ensured at every level at all the time. Broadly the due diligence process to include

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the following:

**3.2.1 Interview/discussion with the applicant:**

- The Bank shall carry out discussion with the applicant borrower and ascertain the past track record, Credit worthiness, ability to run the enterprise, activities presently undertaken, associate / group concerns, details about the proposed project such as infrastructure arrangements, forward and backward linkages, sources of margin, arrangement for financial tie-up, procurement of raw material, selling and marketing arrangement etc.
- The inputs received through the process of discussion should help the Bank in taking a decision whether or not to take up the case for evaluation.
- Credit Report on the borrower, promoter, proprietor/ partners/directors and guarantors (both individual and corporate guarantors) is to be compiled by the Branch.

**3.2.2 Industry Analysis / Prospects:**

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

**3.2.3 Financial Statements:**

- The Bank shall analyse the financial statements of the constituent / income / wealth tax returns / GST returns / assessment orders, etc of the constituent / guarantors.
- In case of fresh finance for already running concern, the Audited Balance Sheet (ABS) of the concern is necessary for advances/Cash Credit/Overdraft Limits above Rs 10 lakh.
- For fresh finance of new projects/Greenfield projects, the projected balance sheet should be taken.
- At the time of renewal/review with enhancement of advances/Cash Credit/Overdraft Limits above Rs 10 Lakh, the Audited Balance Sheet(ABS) of the concern is necessary.
- UDIN of the submitted Financials shall be verified, confirmed and commented in the Appraisal Memorandum, which shall be a part of Due diligence process.
- MSME above enterprises are required to register online on the Udyam Registration portal and obtain ‘Udyam Registration Certificate’. For PSL purposes banks shall be guided by the classification recorded in the Udyam Registration Certificate (URC).

**3.2.4 Market information:**

Opinion about the applicant /associate shall be collected by making market enquiries with people (minimum three) in similar line of business / buyers / suppliers /competitors /employees etc. Even

in the case of existing accounts, the Bank shall keep abreast with the market information on the constituent.

**3.2.5 Confidential opinion from existing banker:** Bank obtains credit Report from existing bankers of applicant concern/promoters as well as Credit Report on all sister/group concerns/guarantors from their bankers as a pre-sanction condition. (However, in case credit facilities is availed from NBFCs, statement of accounts may be verified)

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

Pre-sanction visit to the applicant's place (factory / office / residence) shall be undertaken to confirm the existence of the unit as well as the assets offered as prime / collateral security and their acceptability. Due Diligence Report to be compiled by the Branch Manager as per the laid down procedures and guidelines issued by the Bank.

**3.3 Methods of Assessment:**

**3.3.1** Presently, the following guidelines are in place for financing Working capital facilities of SME units:

- The assessment of working capital credit limits should be done based on acceptable projected turnover basis and **also as per the first method of lending** as per Tandon Committee guidelines.
- If credit requirement based on first method of lending is higher than the one assessed on accepted projected turnover basis, the same may be sanctioned as the guidelines stipulate that the working capital finance should be 20% of the projected accepted turnover or computed on the basis of first method of lending whichever is higher.
- **If the assessed credit requirement is lower than the one assessed on projected turnover basis, the credit limit can be sanctioned at 20% of the acceptable projected turnover.**
- Actual drawal should be allowed on the basis of drawing power available in the account. Moreover, while computing the working capital requirements, it should be kept in view and should be satisfied on various aspects like flow of credit is need based, market condition, projections are in line with the past performance, estimated growth envisaged is realistic, production capacity of the unit, financial parameters, availability of net working capital etc. Further, sales performance should be monitored on regular basis to ensure proper end use of the fund.
- The working capital below the minimum level may be justified under special circumstances where the requirement is lower than the minimum level in the case of supply of inputs is higher than the off take of outputs or material is available on credit for a longer period.

**3.3.2 Limits above Rs. 5.00 crores:**

For assessment of Working Capital requirements beyond Rs. 5.00 crores, the extant guidelines (Tandon Committee, Cash Budget Method etc.) will be followed.

### **3.4 Vetting of Loan Documents:**

In order to ensure that the documents obtained by the bank in borrower's loan accounts are in order & legally enforceable, the verification/vetting of the documents obtained prior to the disbursement of the loan vis-a-vis terms of sanction shall be done. The powers for vetting of the loan documents are vested with various authorities as per size of loan / loan scheme.

The powers for vetting of the loan documents are given as follows:

<b>Size of Loan</b>	<b>Sanctioning Authority</b>	<b>Vetting Authority</b>
Up to Rs. 3.00 lakh + Loans to SHG/JLG up to Rs. 10.00 lakh + consumer/ Personal loan & LABOD irrespective of loan amt.	Branch Manager-Scale I, II, III & SMCC at ROs	Vetting by Sanctioning Authority itself.
Loans above Rs. 3.00 lakh to Rs. 10 lakh (excluding SHG/JLG up to Rs. 10.00 lakh + consumer/Personal loan & LABOD irrespective of loan amt.)	For proposals sanctioned by Branch Manager-Scale I, II , III & SMCC at ROs	<p><b>1. Sanctioned by Branch Manager Scale I &amp; II</b> -- Vetting by Senior Manager at RO or District Coordinator or Senior Branch Manager (as designated by RM) or any law officer of the Bank. The attachment of branches (scale I &amp; II) to Senior Branch Manager for vetting shall be based on proximity with the nominated branch.</p> <p><b>2. Sanctioned by BM Scale-III</b> – Vetting shall be done by Senior Manager at RO or District Coordinator or Chief Branch Manager (as designated by RM) or any law officer of the Bank.</p> <p><b>3. SMCC at ROs</b>- Vetting by District Coordinator or Chief Branch Manager (as designated by RM) or any law officer of the Bank.</p>
Loans up to Rs. 10 lakh + consumer/Personal loan & LABOD irrespective of loan amt. ( Loan sanctioned by Chief Manager at RO / Chief Branch Manager)	Loan sanctioned by Chief Manager at RO / Chief Branch Manager	Vetting by Sanctioning Authority itself.

Loans above Rs. 10.00 lakh to 50 lakh (excluding Consumer / Personal loan & LABOD irrespective of loan amt.)	Sanctioning Authority of any Cadre.	Any Senior Manager at RO / District Coordinator /Any law officer of the Bank and in the absence of Bank's Law Officer, vetting shall be done by legal advisor other than one who given the NEC.
Loans above Rs. 50 lakh	Sanctioning Authority of any Cadre.	Any law officer of the Bank and in the absence of Bank's Law Officer, vetting shall be done by any legal advisor other than one who given the NEC.

All documents of advances are to be vetted by authorities designated for vetting before release of limits.

In all loans sanctioned, the Branch Manager shall verify & ensure that terms & conditions of sanction are fulfilled & documents are executed & filled up completely/vetted. All shortcomings pointed out by the Vetting authority should be removed prior to release of Bank Loan. The rectification of shortcomings should be confirmed by the branches to their Regional Offices.

### **3.5 Benchmark Ratio:**

**3.5.1** While appraising credit proposal, various items in profit and loss account and balance sheet of the borrower should be analyzed to arrive at meaningful conclusions. Ratio analysis can be expressed in percentage terms or as a simple ratio (like 2:1). Whenever we recast the profit & loss and balance sheet, the recast figures should be taken into account for analysis. The authority for relaxation in ratios prescribed in Loan Policy will be rest with various authorities as mentioned in Guidelines regarding deviations.

Some of the important financial ratios, required for credit appraisal are as under: -

**3.5.2 CURRENT RATIO:** It is also called the Liquidity Ratio and a test for short-term solvency. Current ratio is arrived at by dividing, as on a date, total value of current assets by current liabilities.

**Current Ratio = Current Assets/ Current Liabilities.**

Any adverse trend should be carefully examined. Generally, a current ratio of 1.33:1 is considered satisfactory, which may be treated as a **benchmark** rather than the minimum acceptable level. It should not be applied uniformly as it varies from industry to industry. The reasons for a lower or higher current ratio to the benchmark need to be examined. The sanctioning authority may take

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a view and satisfy himself /herself while accepting a lower current ratio and the reasons may be suitably recorded. While taking a final view on the current ratio and/or projected level of current ratio, the sanctioning authority may examine various options to improve the ratio such as exploring possibility of injection of additional funds and/or plough back of profits, stipulations for not declaring dividend/non withdrawal of profits, reduction in the level of non-current assets and liquidation of investments outside business, if any, within a reasonable time.

### **3.5.3 DEBT EQUITY RATIO:**

This ratio indicates relationship between the external term borrowings and the own funds of the concern. Bank takes total term liabilities as Debt i.e. total liabilities minus net worth and total current liabilities. Equity means net worth of the concern minus intangible and fictitious assets. However, the subordinated funds (i.e. long-term unsecured loans from friends and relatives, etc.) may be considered as quasi-equity, generally for non-corporate borrowers, and included in equity while arriving at ratio, if the borrower retains the same at the existing level/ projected level during the currency of Bank Loan. The subordinated debt however should not exceed borrower's tier I capital i.e. capital plus free reserves less intangible assets.

**Debt-Equity Ratio = Total Term Liabilities (TTL)/Tangible Net Worth (TNW)**

A ratio **of 3:1** is considered satisfactory. However, higher ratio may be allowed keeping in view the activity of the borrower, industry, sectoral classification such as SSI units, other priority sector advances etc.

Apart from DER (TTL/TNW), bank assesses the Debt Equity Ratio as 'Total Outside Liabilities' (TOL) to Tangible Net Worth (TNW) also. 'Total Outside Liabilities' (TOL) will be calculated as total of all liabilities of a company/firm on liability side of balance sheet MINUS the net worth. A ratio of 4.5:1 of DER (TOL/TNW) may be considered satisfactory.

**Note: In case of Government Sponsor Schemes generally the margin requirement from beneficiaries / borrower is lesser, so the required level of DER as per the scheme could not get matched. Therefore, in Govt. Sponsor Schemes the requirement of DER is relaxed; provided the minimum margin must be as per the scheme.**

In order to attract good customers, authority for relaxations in DER to various officials have been given the details of which is mentioned below:

### **3.5.4 Fixed Assets Coverage Ratio (Applicable for Term Loan):**

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This ratio shows the number of times the value of Net fixed assets (after providing depreciation) covers term liabilities.

#### **Fixed Assets Coverage Ratio = Net Fixed Assets / Term Debts (Medium & Long)**

Fixed Assets Coverage Ratio of more than 1 is considered reasonable.

#### **3.5.5 Debt Service Coverage Ratio (DSCR) (Applicable for term loan):**

Ability of a concern to service its term liabilities can be accessed from this ratio, which is applied while appraising all term loans proposals, studying rehabilitation/ reschedulement / restructuring proposals, etc. DSCR measures whether interest and installments can be paid out of internal generation of funds. A ratio of **1.50** would indicate that the concern's internal generation of funds would be 1.50 times of its commitments towards term loan obligations and interest thereon. It works out as under: -

#### **3.5.6 DSCR = (Profit after tax + Depreciation + Int. on TL) / (Int. on TL+TL Installments).**

The average DSCR (i.e. the sum of numerator divided by the sum of denominator of DSCR formula as stated above for entire repayment period of the loan) of 1.50 is considered reasonable.

However, in any year it should not be less than **1.25(1 in case of SME)**. The sanctioning authority may consider lower average DSCR depending upon the nature of project / Industry after recording the reasons for the same.

#### **3.5.7 Break Even Point (Applicable For Term Loan):**

The **Break-Even Point (BEP)** is the point where **Total Costs** equal Sales. The BEP is the point at which, cost or expenses and revenue are equal: there is no net loss or gain, and the unit has "broken even". The ratio is extremely useful in analysis of Term Loan proposals.

BEP is calculated in order to determine at what level of sales the unit will be able to recover the costs and will be generating profit at the sales level above BEP. The BEP is calculated as per below mentioned formulae: -

Break Even Point (No. of unit) = fixed cost / contribution per unit

Contribution (per unit) = selling price (per unit) - variable cost (per unit)

Break Even Point (sales) = {fixed cost/ contribution (per unit)} \* sales price (per unit)

Branches should calculate BEP in all credit proposals involving sanction of fresh term loan of Rs. 5 Crore and above to part fund setting up of new units or expansion of existing facilities. A lower BEP suggests that unit has adequate margin of safety. Margin of safety is computed as 1 minus

BEP and indicates the proportion of sales which is available as cushion for any increase in variable costs and is considered as profitability zone of the unit.

The sanctioning authority should assess the viability of unit in terms of BEP and justification of accepted BEP should be recorded in the proposal.

### **3.5.8 Internal Rate of Return and Net Present Value (Applicable for Term Loan of Rs. 10 Crore & Above):**

The **internal rate of return (IRR)** is used to measure and compare the profitability of investment in financing a large project. It is also called the discounted cash flow rate of return (DCFROR) or simply the rate of return (ROR).

The internal rate of return on an investment or potential investment is the *annualized effective compounded return rate* that can be earned on the invested capital. The IRR of an investment is the interest rate at which the investment has a zero net present value. A project is considered viable if it is generating an IRR greater than cost of capital. Branches can compare the projected IRR with the weighted average cost of funds proposed to be invested in the project. The projects with an IRR greater than cost of funds should be considered for funding.

- **Net present value (NPV)** is the total present value (PV) of the projected cash flows. It is a standard method for using the time value of money to appraise long-term projects. NPV measures the excess or shortfall of cash flows, in present value terms, once financing charges are met.
- Borrower's weighted average cost of capital (after tax) can be used to discount back the cash flows of the project to arrive at the Present Value. Alternatively, the discount rate could be the rate, which the capital needed for the project could return, if invested in an alternative venture. When analyzing projects, it will be appropriate to use the applicable interest rate as the discount factor.
- The following sums up the NPVs in various situations.

If...	It means....	Then....
NPV > 0	the investment would add value to the firm	the project may be accepted
NPV < 0	the investment would subtract value from the firm	the project should be rejected

NPV = 0	The investment would neither gain nor lose value for the firm.	We should be indifferent in the decision whether to accept or reject the project. This project adds no monetary value. Decision should be based on other criteria, e.g. strategic positioning or other factors not explicitly included in the calculation.
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- However, NPV = 0 does not mean that a project is only expected to break even, in the sense of undiscounted profit or loss (earnings). It will show net total positive cash flow and earnings over its life.

### **3.5.9 Interest Coverage Ratio:**

Interest Coverage Ratio indicates the number of times a firm's income in an accounting period can pay off (cover) the interest on term debt during the same period. Since it measures the ability to pay interest-due from the earnings of the firm, this ratio is used in computing the firm's borrowing capacity and in assessing the risk of servicing of debt.

- Formula: Earnings before Interest and Tax (EBIT) / Interest expense.
- The Interest Coverage Ratio is also calculated as Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) / Interest expense. This is a measure of calculating the company's operating cash flow coverage of interest expenses.
- The higher the Interest Coverage Ratio, more secure the Bank is in respect of the interest servicing ability of the borrower. An Interest Coverage Ratio of 5 may be considered satisfactory. The sanctioning authority may consider lower interest coverage ratio depending upon the nature of project / Industry after recording the reasons for the same.

### **3.5.10. Investment in subsidiaries and sister concerns**

- (a) Investments in excess of 10% of TNW of the borrower / proponent in associates and subsidiaries may be deducted from the tangible net worth of the borrower/proponent for computing various ratios connected with net worth and sanctioning authority may permit deviation beyond 10% for genuine reasons.
- (b) Current assets and current liabilities of past and projected balance sheet dates are determined to arrive at current ratio and net working capital to evaluate liquidity of the borrowers. We may continue to adopt the classification of current assets and current liabilities as being done hitherto as per CMA guidelines However for the sake of uniformity in approach for arriving at current ratio

and assessment of working capital requirement, the following reclassification may be made in asset classification for arriving at current ratio.

### **3.5.11. Classification of Deferred Tax Liability and Deferred Tax Assets:**

Normally DTL should be included in debt and DTA should be excluded from TNW for the purpose of computing DER. Some banks classify DTL in TNW. So, wherever we are members of consortium and inclusion of DTL under TNW is accepted by lead bank/consortium, we may fall in line. However it will be useful to compute DER as per our guidelines also. Wherever we are the lead bank and consortium accepts Inclusion of DTL under TNW, we may agree. In any case the matter should be brought out under financial analysis. Wherever both DTL and DTA appear in the balance sheet the same may be netted. Revaluation reserve arising from valuation of fixed assets should be excluded for the purpose of TNW.

### **3.6 Pre-Sanction Appraisal & Evaluation**

The guidelines regarding pre-sanction appraisal & evaluation of loan proposals will be communicated through Circulars/ Operative instructions in the matter of processing, appraisal of credit proposals from time to time.

The processing of credit proposal is required to be carried out as per norms of the scheme, which covers various aspects such as credit worthiness, financial parameters, business prospects, management quality, etc.

### **3.7 Credit Rating Assessment**

**3.7.1** To evaluate the credit risk and pricing the same based on risk rating, bank has been following a credit rating system. The Rating Models have been revised from time to time keeping in view the RBI guidelines on management of Credit Risk for advances.

Types of advances and applicability of credit rating norms:

#### **1. Direct Agriculture Advances:**

- No credit rating required irrespective of size of loan.

**2. Indirect Agriculture Advances and Other Priority Sector & Non Priority Sector Advances, SME Loans (Manufacturing + Service Sector) i.e. loans to SSI, SRTO, Small Business, Professional & Self Employed person & other service enterprises including Retail Traders, Saral Vyapaar/GCC:**

- Up to Rs 5.00 lakh:

No Credit Rating required.

- >Rs. 5.00 lakh up to Rs. 25.00 lakh:

Credit rating is to be carried out to ascertain risk profile of the applicant borrower, but the pricing shall be de-linked from credit rating.

- >RS 25.00 lakh & above:

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Credit rating is linked to pricing of loans depending upon the credit score as per applicable format.

### **3. Housing Loans, Education Loans, Property Loan & Retail Loan Products such as Personal Loan & other Non-Priority Sector Advances etc.:**

- Up to Rs. 2.00 lakh:  
No credit rating exercise shall be implemented for loans.
- Above Rs. 2.00 lakh:  
Credit rating shall be carried out in loan above Rs. 2.00 lakh to ascertain the risk profile of the applicant borrower, but the pricing shall be de-linked from the credit rating.

### **4. Loans Under Govt. Sponsored Scheme:**

No Credit Rating applicable up to loans of Rs.5.00 lakh. In case of loans above Rs. 5.00 lakh, credit rating shall be carried out to ascertain the risk. However, the pricing of loan shall be delinked.

### **5. Self Help Group:**

- No credit rating required irrespective of size of loan since separate grading norms will be used in SHGs.

#### **3.7.2 Other conditions:**

- Credit rating shall be done in all applicable schemes of advances as mentioned above at the time of accepting of loan proposals and during the review/renewal of facilities (excluding Retail Loans in which it will be done at the time of accepting the proposals only). In case if the credit rating below B category is obtained, no loan shall be extended to the party. During the renewal/review of cash credit/ overdraft, if the credit rating below 'B' is obtained no additional facility/ enhancement of limit will be allowed and the concerned party will be advised to regularize the loan facility or otherwise the recovery proceedings shall be initiated against him. The periodicity of Credit Rating shall be normally 01 year or carried out at the time of review/renewal whichever is earlier.
- As per internal credit rating of loans scoring less than "B" category, the proposal shall be referred to Regional Manager for consideration/disposal on the merits of the case. In any case it should be ensured that the credit rating of the loans during the annual review should not be degraded.
- In case of personal loans, housing loans, car loans, property loan, Education Loan & other non-priority sector, the eligible loan amount shall be reduced to the extent given below:

Credit Grade	Rating	Reduction in eligible loan amount (In terms of percentage)
A		Full Eligible Amount.
B		90% of Eligible Amount
C		No loan to be sanctioned
D		No loan to be sanctioned.

**3.7.3** In case of Indirect Agriculture Advances and Other Priority Sector & Non Priority Sector Advances, SME Loans (Manufacturing + Service Sector) i.e. loans to SSI, SRTO, Small Business, Professional & Self Employed person & other service enterprises including Retail Traders, Saral Vyapaar/GCC:

Credit Grade	Rating	Reduction in eligible loan amount (In terms of percentage)
A+, A, B+		Full Eligible Amount.
B		90% of Eligible Amount (The Regional Manager shall be authorized to consider 5% increase in eligible loan amount on case to case basis)
C		No loan to be sanctioned.
D		No loan to be sanctioned.

In order to carry our Credit Rating exercise of various sectors in advances, distinct formats have been designed by the Bank, the details of which are given below:

Format 1: For Housing Loan & Property Loan Schemes

Format 2: For SME Loan Schemes

Format 3: For Education Loan Schemes

Format 4: For Car Loan & Personal Loan Schemes

Format 5: For Saral Vyapar Loan Schemes

Format 6: For Pensioners Loan Schemes

### **3.8 Application for Loan and Their Processing:**

- Standardized application forms for loans depending on the segment to which the borrower belongs, will be made available to the applicant on request, free of cost.
- Receipt of completed application forms will be duly acknowledged.
- The acknowledgement would also include the approximate date by which the applicant should call on the bank for preliminary discussions, if deemed necessary.
- All applications under Govt. Sponsored Schemes & other schemes of the bank will be disposed of as per time schedule mentioned below:

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Type of Credit facility	Time frame for disposal	
<b>Priority Sector</b>		
Up to Rs.25000/-		Within -1- week
Above Rs. 25000/-	Branch Level	Within -10- working days
	RO level	Within -15- working days
	HO level	Within -30- working days
<b>Retail Loans</b>		
	Branch Level	Within -10- working days
	RO level	Within -15- working days
	HO level	Within -30- working days
<b>MSME Loans</b>		
For Credit Limits up to Rs. 5 lacs		Within -1- week
For Credit Limits above Rs. 5 lacs and up to Rs. 25 lacs		Within -10- working days
For Credit Limits above Rs. 25 lacs		Within -15- working days
<b>Other Loans ( other than Priority sector, MSME and Retail Loans)</b>		
Branch	Within -10- working days	
RMCC	Within -5- working days from the date of receipt of proposal/clarification from the branch	
At Head Office: 1. General Manager Credit Committee 2. Chairman Credit Committee	1. Within -7- working days from the date of receipt of proposal/clarification 2. Within -10- working days from the date of receipt of proposal/clarification	

However, no minimum time limit is prescribed. Clearance of proposal and issuance of sanction letter is endeavored as early as possible on submission of requisite documents and the size of the facility.

**The above time frame for disposal of applications is from the date of receipt of loan application, which is complete in all respects.**

In case of rejection of the loan application, the same would be conveyed in writing along with the main reasons which led to rejection of the loan application within the time frame as mentioned above. However, in case of loans to SC/ST, the rejection will be done by the next higher authority of sanctioning authority.

**Credit Flow to Women Entrepreneurs:** Our endeavor to improve the performance of accelerating credit flow to women for upliftment and economic development of women.

While extending finance to SHG, special attention is to be given to women SHG. For this purpose, the bank has associated with Rajiv Gandhi Mahila Vikas Pariyojna which is joint venture of RGMVP, NABARD and UPSRRLM.

### **3.9 Credit Appraisal and Terms & Condition:**

In accordance with Bank's prescribed risk based assessment procedures, each loan application will be assessed and suitable margin/securities will be stipulated based on such risk assessment and Bank's extant guidelines, however without compromising on due diligence.

The sanction of credit limit along with the terms and conditions thereof is to be conveyed to the loan applicant/guarantor in writing and applicant's/guarantor's acceptance of such terms and conditions will be obtained in writing. Such terms and conditions as have been mutually agreed upon between the bank and borrower prior to the sanction will only be stipulated.

Copy of loan documents, along with a copy each of all relevant enclosures quoted in the loan agreement are to be furnished to all the borrowers at the time of sanction /disbursement of loans. Standard sanction letter would include instances of approval, disallowance, etc. The bank is under no legal obligation to consider increase/additional limits/facilities without proper review/assessment.

In case of lending under consortium arrangement, the participating banks would decide the timeframe to complete appraisal of the proposal and communication of the decision. The Bank will abide by the decision of the consortium.

### **3.10 Valuation of Securities Eligible as Financial Collaterals (Fc):**

**3.10.1** In their normal course of lending decisions, various authorities sanction loans to borrowers against various types of securities, such as immovable properties and movable assets, stocks,

book debts, and certain class of securities such as Cash, Central and State Government securities, LIC policies, NSC's, and KVP's, which are recognized as eligible financial collaterals for extending loans.

Detailed instructions regarding valuation and margin on securities have been issued from time to time through Circulars.

In case of LIC policy, branches will update the surrender value on annual basis and in case of NSC and KVP it has to be ensured that there is no lock in period. Please note that these guidelines are applicable for the securities eligible as financial collaterals only. Branches will continue to obtain the securities as primary/collateral securities in their normal credit decision, irrespective of the fact whether such security is eligible as FC security or not.

- In case of general advances valuation of properties charged to the Bank is to be carried out once in 3 years by the Bank's empanelled valuer, irrespective of classification of accounts.
- The property being accepted as security should be got valued by any of the Bank's approved valuer at the time of considering the facility.
- The valuation report should contain the value of the property as per present Government rate along with Market Value, Realizable Value and Distress Value. Lower of realizable value/ market value of asset should be considered.
- ***In case of properties acquired within last 3 years, amount of Registered Sale Deed or the realizable Value whichever is lower should be taken as value of property and the same be taken for the purpose of calculation of FACR/Security Coverage Ratio / Loan to Value Ratio.***

***If the present realizable value is higher than the Registered value (Registered within last 3 years) and if it requires to consider present realizable as value of property, for any reason, deviation approval from Regional Authority to be obtained for the same.***

- For easy identification of the properties, valuers to mention details of Boundaries (East, West, North & South) and availability of approach road at the property in the Valuation Report. Screen shot (in hard copy) of Geo tagging, Global Positioning System (GPS)/Various Applications (Apps)/internet sites (i.e. Google earth)/ etc. is to be included in the Valuation Report.
- Boundaries of the properties to be verified by the branch officials with the title deeds/Title Clearance Reports while carrying out inspection of the property and to ensure that property is freely accessible and not landlocked.
- Valuation Report must contain specific views / comments on the impending threat, if any, of Road Widening, Take-over of property for public service purposes, etc.
- In case of Home Loans and other Home Loan variants, if the account is regular and classified as standard asset, the condition of valuation of the properties once in three years will not be applicable.

### **3.10.2 Guidelines Related To Location And Access To The Properties;**

1. For easy identification of the properties, valuers to mention details of Boundaries (East, West, North & South) and availability of approach road at the property in the Valuation Report. Screen shot (in hard copy) of Geo tagging, Global Positioning System (GPS)/Various Applications (Apps)/Internet sites (i.e. Google earth)/ etc. is to be included in the Valuation Report.
2. Valuation Report should also contain sketch of map to approach the property along with photograph of the property/locality for easy identification and approach to the property for future reference.
3. Boundaries of the properties to be verified by the branch officials with the title deeds>Title Clearance Reports while carrying out inspection of the property and to ensure that property is freely accessible and not landlocked.
4. As a measure of strengthening the Due Diligence of the applicable primary/collateral securities, valuers to include photograph of owner/representative with the property in the background, in the report submitted to Branches.
5. Valuation Report must contain specific views / comments on the impending threat, if any, of Road Widening, Take-over of property for public service purposes, etc.

### **3.11 Credit Information Bureau:**

#### **General Guidelines**

**1.1** Since CIRs provide vital information about the prospective clients, drawing of CIR from CICs is mandatory for Borrowers, Guarantors & Co-obligants (both Consumer & Commercial Category Accounts).

**1.2** The field functionaries must invariably check CIC Report before considering any type of credit facilities including Fund Based and Non-fund-based facilities except in certain exempted categories of advances before considering facilities by way of

- i. Fresh Sanctions
- ii. Enhancement of existing Credit Facilities
- iii. Review/ Renewal of Credit Facilities
- iv. Any type of Adhoc/ Additional credit facilities

**1.3** In most of the fraud cases it has been observed that, the appraisal guidelines are not followed and drawing of CIR from CICs is ignored.

**1.4** The CIRs on Borrowers/Guarantors/Co-obligants (Consumer & Commercial category of borrowers) requesting/availing credit facilities, (including renewal/review/enhancement) should form part of the proposal and a copy thereof should also be kept in the file along with other documents for verification by the Inspecting Officer/Concurrent Auditor during inspection of the branch.

**1.5** In case no Information/Data/Report (NO MATCH FOUND STATUS) is obtained under either Consumer or Commercial Segment, the Report /Web Page showing such Status shall be printed & kept as record along with proposal after being duly countersigned by the concerned officer that correct details are fed in the system for extraction of CIR.

**1.6** As regards credit score of -1 or NO HIT (Insufficient history/Data), it indicates no credit history, which at times is deceiving. Though bank is not restricting any sanction to such borrowers but expects branches to conduct additional due diligence in such cases.

**1.7** The Branch Heads while sanctioning/recommending credit facility to Controlling Offices, shall certify in the proposal that CIRs on Borrowers/Guarantors/Coobligants have been drawn from database of CICs and their past history/ dealings with other banks/FIs have been verified from the details available in the CIRs and no irregular/adverse feature, which may jeopardize bank's interest, have been observed.

**1.8** In case no adverse features are noticed in the CIR but is availing credit facilities from other banks/FIs is observed, the reasons of borrower's approaching our bank may be ascertained. Such reports may be critically analyzed to ascertain the credit worthiness of Borrower.

**1.9** When accepting loan / credit applications, it is recommended that branches should clearly notify the consumer (through consent, disclosures etc.) that they will be accessing CIRs and such access will result in SMS / email triggers from CICs. Hence, branches should capture correct mobile number and email ID of the consumer.

### **Applicability of CIRs**

**2.1** Drawing of CIRs shall be mandatory for Borrowers & Guarantors/Co-obligants (both Consumer & Commercial Category Accounts) and **Partners/ Directors in case of firms/companies**, requiring fresh credit facilities before sanction of facilities as well as at the time of Renewal/ Review/ Enhancement/ Adhoc of such facilities.

**2.2** Drawing of CIRs in certain cases, will be as under:

<b>SN</b>	<b>Particular</b>	<b>Guidelines</b>
i.	Proprietorship Account	CIRs should be drawn for the firm and proprietor/guarantor
ii.	Partnership Account	CIRs should be drawn for the firm and each individual partner/guarantor.
iii.	Company Account	CIRs should be drawn on the Company and each individual director/guarantor However, drawing of CIRs in respect of the following category of directors are exempted: a. Directors on the Board of PSU (Public Sector Undertaking) borrowers who are generally public servants. b. Nominee/Professional Directors on the Board of companies on behalf of lender/Banks/Financial Institutions/ Government nominee directors.
iv.	Trust Account	CIRs of the Trust and those trustees authorized to act on behalf of the Trust, should be drawn.
v.	Corporate Guarantee	CIRs should be drawn on the company standing as guarantor
vi.	Allied / Associate concerns of the Borrowing Entity	It is prudent to draw CIRs of the allied/ associate concerns. Except in the following cases where it is optional: a. Directors on the Board of PSU (Public Sector Undertaking) borrowers who are generally public servants. b. Nominee / Professional Directors on the board of the companies on behalf of the lender/banks/Financial Institutions/Government Nominee Directors However, wherever CIR of allied/ associate concern is not available then CRILC report of such allied/associate concern be obtained and analysed.

**Note-1:** The scrutiny of the Credit Information Report (CIRs) of the borrower provided by the Credit Information Companies (CICs) shall be undertaken where the credit facilities are secured by Bank's Deposit and Liquid Securities as collateral security/ cash margin (less than 100%).

**Note-2:** In case NFB facilities sanctioned to Non-constituent borrowers (borrowers that have not availed any credit facility from our Bank), scrutiny of the Credit Information Report (CIRs) shall be done invariably in order to ensure that the borrower has not availed any fund based facility from any bank operating in India.

#### **Obtention of Report:**

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<b>A. Consumer CIRs</b>	
<b>Loan Amount</b>	<b>Consumer CIRs</b>
<b>Up to ₹10.00 Lakh</b>	One CIR with Score from any of the CICs viz. TU CIBIL or Experian or CRIF Highmark or Equifax.
<b>Above ₹10.00 Lakh</b>	Two CIRs with score from any CICs viz. TU CIBIL or Experian or CRIF Highmark or Equifax.

**Note:**

- i. In case of customers having credit risk rating of B and below irrespective of loan amount two CIRs with score from any CICs viz. TU CIBIL or Experian or CRIF Highmark or Equifax should be obtained.
- ii. In case credit score from one CIC (TU CIBIL or Experian or CRIF Highmark or Equifax.) comes to -1 or NO HIT (Insufficient History/ Data), report from second CIC to be extracted and analysed for any default/ overdue as per the Score mapping matrix.
- iii. Further, in cases, where two CIC reports are extracted as mentioned above and credit score from both CIC are -1 or no HIT (Insufficient history/ data), it is advised that field functionaries to avoid drawing more than two CIRs. However, branches to conduct additional due diligence in such cases.
- iv. Mapping Matrix of CICs Scores:

<b>TU CIBIL</b>	<b>CRIF HM</b>	<b>Experian</b>	<b>Equifax</b>
801-900	756-900	800-900	835-900
700-800	703-755	731-799	783-834
680-699	621-702	649-730	682-782
601-679	555-620	614-648	603-681
551-600	381-554	318-613	363-602
300-550	300-380	300-317	300-362

**v. Acceptable Score**

- a. The acceptable Score for Consumer CIR that can be considered safe/less risk prone with respect to the sanction of credit facilities for all the CICs shall be as under:

<b>CIC</b>	<b>Score Range</b>	<b>Acceptable Score</b>
<b>TU CIBIL</b>	300-900	675 & Above
<b>CRIF HM</b>	300-900	621 & Above
<b>Experian</b>	300-900	649 & Above
<b>Equifax</b>	300-900	682 & Above

Note: In cases where more than one CIR is generated, the score must be above or equal to the acceptable score in all CIRs.

**B. Commercial CIRs**

Loan Amount	Commercial CIRs
<b>Up to ₹50.00 Lakh</b>	<p>One CIR from any of the CICs viz. TU CIBIL or Experian or CRIF Highmark or Equifax.</p> <p>Note: In case no report found from a bureau, report from second bureau to be extracted and analysed for any default/overdue.</p>
<b>Above ₹50.00 Lakh</b>	Two CIRs from any CICs viz. TU CIBIL or Experian or CRIF Highmark or Equifax

**Note:** In case of customers having credit risk rating of B and below irrespective of loan amount two CIRs from any CICs viz. TU CIBIL or Experian or CRIF Highmark or Equifax should be obtained.

#### B1. Rank

In cases where commercial CIR is drawn and rank<sup>1</sup> is available:

- i. Acceptable Rank:

The acceptable rank of borrower for commercial CIR that can be considered safe/less risk prone with respect to the sanction of credit facilities by respective sanctioning authorities for all the CICs shall be as under:

CIC	Rank Range	Acceptable Rank
TU CIBIL	1 - 10	CMR 1 - 6
CRIF Highmark	A - M	CIMR A- I
Experian	1 - 10	EBR 10 - 5
Equifax	1 - 10	ECR 1 - 5

**Note:** In cases where more than one CIR is generated, the Rank must be above or equal to the acceptable rank in all CIRs as per the above table.

#### Scrutiny of Credit Information Report:

**3.1** While scrutinizing the Consumer & Commercial Reports (CIRs), the following dimensions should also be investigated by the field functionaries besides cross checking the details provided by the borrower pertaining to dealings with other banks/institutions, repayment track record, asset classification of loan accounts with other banks etc in the loan

proposal:

- a. Too many enquiries made by other lenders which can indicate that other lenders may have rejected credit request.
- b. Credit facilities availed by the borrower from other lenders which can indicate the leverage.
- c. Credit facilities guaranteed by the customer which indicate his / her commitment level.
- d. Suit filed against the borrower.
- e. Cases where Compromise Settlements has taken place.

### 3.2 Scrutiny of Commercial Credit Information Report (CIR)

The field functionaries shall carry out an in-depth scrutiny of the Commercial Credit Information Report (CIR) of the borrower /guarantor on the following dimensions:

<b>Scrutiny of CIR</b>	<b>Analysis of Credit Information Report + Discussion with Borrower</b>
Number of Lenders (Credit Grantors)	<ul style="list-style-type: none"><li>• How many lenders are there?</li><li>• Are we the sole lender of the borrower?</li><li>• Does the number of lenders provided by the borrower tally with the Credit Information Report (CIR)</li><li>• Are the number of lenders provided by the borrower is less /more than that are appearing in Credit Information Report (CIR).</li></ul>
Details of Credit facilities availed by borrower/ Guarantor	<ul style="list-style-type: none"><li>• Enquiry about all the credit facilities appearing in the Credit Information Report (CIR)</li><li>• Nature of credit facilities and purpose thereof</li><li>• Asset classification of each credit facility</li><li>• Number of accounts which are overdue. Why overdue?</li><li>• Total overdue amount and what is the plan to regularize it?</li><li>• Credit facilities which are other than standard (mentioned in Default status)</li></ul>

Detail of Credit facilities Guaranteed by borrower	<ul style="list-style-type: none"> <li>Total number of credit facilities guaranteed by borrower</li> <li>To whom the credit facilities guaranteed</li> <li>Commitment level of borrower with respect to its Net worth</li> </ul>
Number of enquiries made	<ul style="list-style-type: none"> <li>Number of enquiries made by other lenders</li> <li>Justification for too many enquiries</li> <li>Reason for rejection of credit facilities by other lenders</li> </ul>
Default status	<ul style="list-style-type: none"> <li>Number of accounts where Default reflects</li> <li>Amount of default and nature of facilities in which default occurs</li> <li>Reason for default</li> <li>What is action plan?</li> </ul>

### Credit Information Report (CIR) Charges

For ready reference of the branches, the charges for drawing CIRs have been given below:

Segment	Charges
Consumer	@ ₹100/- per CIC + GST
Commercial*	@ ₹1400/- per CIC + GST

\*In case where CMR is fetched additional ₹600/- per CIC + GST will be charged. Priority Sector Loans up to ₹50,000/-: No Charges shall be recovered.

The charges so recovered as above shall not be refunded even if the proposal is declined. In case of the existing borrowers, these charges should be debited to their accounts.

### CIC Score and Authority for Deviation:

Minimum cut off in CIC score will require to be obtained in all loan schemes other than Staff Loan, LABOD, loans against NSC/KVP/LIC Policy.

- Under the following loan schemes credit report will be pulled out as a part of due diligence only to ascertain whether prospective borrower is defaulter of any financial institution or not:
  - Government Sponsored schemes meant for poverty alleviation.
  - Direct Agriculture advances (including KCC).
  - Loans to SHGs/JLGs/HWG/WUGs irrespective size of loan.
    - In rest of the cases generally no loan shall be granted to the applicant having CIC Score below prescribed Mark.

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- In case of Retail Loans, if more than one applicant is there, AVERAGE of CIC scores of the applicants (whose income are considered for eligibility), to be considered for Cut off score for sanction of Loan as well as for Pricing.
- In such cases, CIC score of applicant/s having (-1) or (0) to be excluded for average calculation. However, in such cases of joint applicants, individual CIC score of all the applicants (whose scores are considered for average calculation) should be stipulated minimum.

The deviation in CIBIL Score, where ever applicable, may be allowed by the **Regional Manager/General Manager/Chairman** on case to case basis within their power, after proper justifications and recommendations in the case. The power of deviations in the norms of CIBIL Score of various authorities is as under:

Authority	Power of Deviation
Regional Manager	Relaxation up to 25 CIC score
General Manager	Relaxation up to 50 CIC score
Chairman	Full Power

Further, the applicants having CIC Score (-1) may also be accepted and considered by Sanctioning Authority with proper justification mentioning in appraisal note only with or without reference to the tenor of relationship with bank.

#### **Miscellaneous Guidelines:**

##### **4.1. Validity of credit information report (CIR)**

Credit Information Report should not be older than 90 days at the time of Fresh Sanction/ Enhancement/ Renewal/ Review/ Adhoc/Additional credit facility.

##### **4.2. Access to own Credit Report**

- In terms of Sec. 21(1) of Credit Information Companies (Regulation) Act, 2005 provides that “any person, who applies for grant or sanction of credit facility, from any credit institution, may request such institution to furnish him a copy of the credit information obtained by such institution from Credit Information Company”.

Further, sub section (2) of the said section also specifies that every credit institution shall on receipt of request as indicated in sub section (1) shall furnish to such person a copy of the Credit Information subject to payment of charges specified by the Reserve Bank under the regulations.

- Field functionaries are advised to furnish a copy of credit information obtained by the bank to the Borrowers, Guarantors & Co-obligants on receipt of written request in this regard.

- A maximum fee of ₹50/- may be recovered for the purpose as per regulation 12 (3) of Credit Information Companies (Regulation) 2006, framed under the Act by RBI.

**4.3.** It has been observed that sometimes details of credit facilities which are being enjoyed by the Borrower/ Guarantors/ Co-obligants/ other related entities/individuals from our Bank/other banks/FIs and which are known to the dealing officials of the Bank through Balance sheet, application form, etc. are not reflected in the CIR. To ensure that all the information is duly reflected in the CIR in future, the matter should be immediately taken up with ITD, HO for its resolution.

**4.4. Password Secrecy:** It has been observed that some of the branches are not adhering to the guidelines being issued for maintaining the secrecy of password of CICs. In order to keep control and to keep a check on unauthorized use of password/generation of CIRs, branches are advised as under:

- Tally the details of CIRs generated as per branch record with that of the list provided by CICs through their respective Regional Offices.
- Ensure that requisite charges have been recovered from the customer towards each CIR vis-s-vis bill of CICs received.
- Field Functionaries are advised that due care must be taken to prevent misuse of password for generation of CIRs. Concerned officials may be held responsible for any financial or reputational loss to the bank due to misuse of their id/password.

### **3.12 Rejection of Proposals:**

Credit Proposals falling beyond the discretionary lending powers of Branch Managers shall not be rejected at the level of Branches. The authority empowered to sanction a credit proposal may reject such proposal. Branches shall at monthly intervals submit a consolidated statement to the Regional Office, in respect of proposals falling under their powers and rejected by them, giving the details of the applicant viz., name, activity, facility sought etc., along with reasons for rejection of the proposal for their perusal and comments.

The rejection of credit proposal pertaining to SC / ST beneficiaries shall be by the next higher authority.

### **3.13 Validation of Sanction:**

- Any sanction, if not availed of, within three months in case of Working Capital (Funded & Non-Funded) Facility and six months in case of Terms Loans from the date of sanction, would lapse and would require revalidation by the sanctioning authority.
- In case both the Working Capital Facilities and Term Loan are sanctioned in a single account, the validity for Term Loan shall be adhered to.

- In case, if sanction is accepted unconditionally by the borrowers & guarantors, documents have been executed within the permissible period (i.e. 3 months in case of working capital and 6 months in case of term loan), and 50% processing charges have been recovered, in such cases, sanction will remain valid for a period of 9 months from the date of sanction.
- These clauses are valid for enhancement in existing facilities also.
- Revalidation of sanction will not extend the date of original / latest sanction for calculation of due date of review / renewal.

### **3.14 Mode of Disbursement of Loan:**

As far as possible, the loan should be disbursed both in cash and kind. The disbursement of kind portion should be made directly to the supplier of inputs such as seeds, fertilizers, raw materials, implements, vehicles, machinery etc.

With a view to providing farmers wide choice, as also eliminating undesirable practices, branches may disburse loans for agricultural purpose in cash to facilitate choice of a dealer by the borrowers and foster an environment of trust. However, branches may continue the practice of obtaining invoices/ receipts from borrowers.

### **3.15 Repayment Schedule:**

Repayment schedule shall be fixed taking into account the sustenance requirements, surplus generating capacity, the break-even point, economic life of the asset, etc., and not in an "ad hoc" manner. In respect of composite loans up to Rs. 50,000/- to artisans, village and cottage industries & for loans granted under Government sponsored programs repayment schedule may be fixed for term loan component only & for working capital component repayment schedule should not be prescribed both under Government sponsored programs and finance outside Government sponsored programs as well.

Loans/advances granted under Direct/Indirect Agricultural Finance to the farming community affected due to natural calamities such as drought, floods etc. shall be converted into loans or/and rephased/rescheduled on merits as per bank's policy/NABARD/ RBI directives from time to time.

### **3.16 Pricing of the Loan:**

Pricing of loans is quite crucial for bank's business. Bank follows a transparent pricing policy & is guided by NABARD/RBI on Govt. directed/Sponsored lending.

The pricing of loans is based on following factors: -

- Availability of financial margin
- Scope & volume of Business
- Competitive Market Conditions
- Social factors, such as loans to weaker section of the society, down trodden etc.

- Implementation of Credit Rating System.

The interest rates are reviewed from time to time basis in the ALCO Meetings & accordingly the interest rates are fixed on loans & advances.

As per RBI guidelines effective from 1<sup>st</sup> April 2004, the interest is being charged at monthly rests, in all running accounts. Application at monthly rests is not applicable to agricultural advances wherein, it is linked to crop seasons where interest is charged at half yearly/yearly frequency depending upon due dates of particular crop.

Bank has introduced Benchmark Prime Lending Rate Structure which is at present 14.25%. The BPLR of the bank is subject to revision from time to time.

However, in view of stiff competition to canvass /retain good accounts the competent sanctioning authority may allow concessional rate of interest /concessional service charges considering the market conditions, conduct /volume of the account as per the powers delegated to them by the Board.

### **3.17 Margin/Security Norms:**

Normally borrowers are required to provide margin ranging from Nil to 25% depending on the category of the borrower, quantum of loan, type of activity and provision under specific schemes. Subsidy available, if any, is being treated as margin money. The Bank may consider relaxation in the margin/security norms as per requirements of the specific scheme, Govt./RBI directives & needs of the borrowers.

### **3.18 Security norms for MSME Sector / Collateral Free Lending:**

In consonance with RBI directives vide their Circular no. RBI/2009-10/449/ RPCD:SME & NFS:BC:NO.79/06.02.31/2009-10 dated 06.05.2010, credit limit up to Rs 10 lakh to Micro & Small Enterprises should be collateral free (whether eligible under CGTMSE cover or not).

### **3.19 Agriculture Finance:**

As per the guidelines issued by RBI vide RBI/2024-25/96 FIDD.CO.FSD.BC.No.10/05.05.010/2024-25 dated 06<sup>th</sup> December 2024 regarding Collateral Security in Agriculture Advances, it has been decided to raise the limit for collateral free agriculture loans from the existing level of Rs.1.60 lakh to Rs. 2.00 lakh. Accordingly bank has decided to waive margin requirements for agricultural loans upto Rs. 2.00 lakh. Thus, the above mentioned guidelines shall be applicable in Bank.

- For crop loans / short-term loans up to Rs. 2,00,000/- no mortgage to be obtained.
- Creation of Charges over land under U. P. Agriculture Credit Act 1973 as per RBI circular no. RBI/2024-25/96 FIDD.CO.FSD.BC.No.10/05.05.010/2024-25 dated 06th December 2024 is being treated as mortgage of land up to Rs. 2,00,000/-.
- After the loan account has been fully repaid or settled, the banks or lender must release all

original papers pertaining to moveable and immovable property and remove any charges that have been lodged with any registry. This must be done within 30 days.

### **3.20 Insurance against Fire and Other Risks:**

Bank shall continue to exempt constituent from obtaining insurance for the assets financed out of bank loans in following cases: -

- All categories of priority sector advance up to & inclusive of ₹10,000/- granted for equipment and current assets for fire and other risks.
- For advances to SSI sector up to and inclusive of ₹25,000/- by way of composite loans to artisans, village and cottage industries for equipment and working capital granted against non-hazardous goods for fire risk.

However, in the interest of the borrower and the bank, insurance in respect of following cases would be continued to be obtained by the bank: -

- The vehicles or machineries or other equipment / assets where insurance is compulsory under the provisions of any law or such requirement is stipulated in the refinance scheme of any refinancing agencies or as part of Govt. sponsored programme, insurance shall not be waived even if relative credit facility does not exceed ₹10,000/- or ₹25,000/- as the case may be.

### **3.21 Photographs of Borrowers:**

While there is no objection in taking photographs of the borrowers, for the purpose of identification, bank may make arrangements for the photographs and also bear the cost of photographs of borrowers falling in the category of Weaker Section. It should be ensured that the procedure does not involve any delay in sanction and disbursement of loans.

### **3.22 Machinery to look into Complaints:**

- Head Office /Regional Office shall entertain complaints from the borrowers if the branches do not follow the guidelines, and to verify periodically that the branches in actual practice implement these guidelines.
- The names and address of the officers with whom complaints can be lodged would be displayed on the notice board of every branch.

### **3.23 Retail Lending:**

The Bank shall focus attention in extending retail loans to its clientele.

### **Alternative /Extension Services for augmenting credit flow in the bank:**

#### **Gramin Bank Samooh Rath:**

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In order to provide doorstep banking to the SHG members in a hassle free manner & up scaling of the SHG Bank Linkage programme , mobile vans equipped with latest technologies & software are plying in the area of operation of the bank for speedier credit linkages of the SHG groups. The Samooh Raths are implemented in 04 Regions.

**Any regulatory guidelines issued by RBI / NABARD/Govt. etc from time to time will automatically be part of this policy.**

**CLARIFICATION:** In case of any doubt about the applicability of any aspect of these policies to any situation, clarification / approval shall first be sought from concerned departments of Head Office prior to committing the Bank.

As per RBI Circular RBI/2024-25/18, issued on April 15, 2024, all regulated entities (REs) such as Commercial Banks, Small Finance Banks, Local Area Banks, Regional Rural Banks, Non-Banking Financial Companies (NBFCs), and Co-operative Banks are required to provide a Key Facts Statement (KFS) for all retail and MSME term loan products. This move aims to enhance transparency, reduce information asymmetry, and empower borrowers to make informed decisions.

#### **Key Components:**

##### **Key Facts Statement (KFS):**

- A standardized document summarizing loan details in a clear, easily understandable format.
- It must include crucial information about the loan such as interest rates, fees, charges, and amortization schedules.
- The KFS must be in a language understood by the borrower, and its contents explained with the borrower's acknowledgment of understanding.

##### **Annual Percentage Rate (APR):**

- The KFS will disclose the APR, which is the total cost of credit, including interest and other charges.
- APR computation will cover all charges, such as insurance and legal fees, that are recovered by the RE.
- Any charges not listed in the KFS cannot be levied during the loan period without explicit consent from the borrower.

##### **Validity of KFS:**

- KFS will carry a unique proposal number and will remain valid for at least three working days (for loans over seven days) or one day (for shorter loans).

##### **Disclosures and Transparency:**

- Detailed disclosures about charges paid to third parties.
- Penal charges, foreclosure charges, and other contingent fees must be outlined.

- All REs are required to provide borrowers with receipts for third-party charges within a reasonable time.

#### **Implementation Timeline:**

- All new retail and MSME loans sanctioned on or after October 1, 2024 must comply with these guidelines.

### **4. Guidelines on Various Type of Advances:**

#### **4.1 Short-Term Loans (STL):**

**Definition:** Short-term facilities are credit facilities (funded and/or non-funded) with a duration upto one year. However, be some agricultural loans sanctioned for short-term purposes (e.g. cultivation of sugarcane) where the duration is more than oneyear but such loans should not be included under term loans.

#### **4.2 Medium-Term Loans:**

**Definition:** Loans and advances granted for a period of more than 1 year and up to and inclusive of 3 years.

#### **4.3 Long-Term Loans:**

**Definition:** Loans and advances granted for a period of more than 3 years.

## **5. PRUDENTIAL LIMIT**

#### **5.1 Exposure Ceilings:**

As a prudential measure aimed at better risk management and avoidance of concentration of credit risk, Reserve Bank of India has advised the banks to fix limits on the exposure to single/group borrowers.

#### **5.1.1 Exposure to Single / Group Borrowers:**

The exposure ceiling is fixed in relation to bank's capital funds under capital adequacy standards (Tier I and Tier II capital) as tenets of Prudential Risk Management to diversify the exposure both in respect of borrowers and Industry / business sectors. The exposure ceiling limits is 15 percent of capital funds in case of single borrower and 40 percent in the case of a group borrower.

Category of Borrower	Ceiling to Capital Funds of Bank as %
Single Party	15
Single Party for infrastructure	20
Group	40

Group for Infrastructure Projects	50
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The Capital Funds of Bank based on the last Audited Balance Sheet as on 31.03.2024 is as under:  
 (Amount in crore)

Capital	268.76
Statutory Reserves	791.48
General reserves	368.92
Provision for standard Assets	123.98
Total Capital Funds	1553.14

Based on the capital fund position of Bank as of March 2024 the maximum exposure limit of the borrower will be as under:

Category of Borrower	Ceiling on Bank Finance (Amount in crore)
Single Party	232.97
Single Party for infrastructure	310.63
Group	621.26
Group for Infrastructure Projects	776.57

## 5.2 Definition of group of connected counterparties (Group Borrower):

Two or more natural or legal persons shall be deemed to be a group of connected counterparties if at least one of the following criteria is satisfied:

(a) Control relationship: one of the counterparties, directly or indirectly, has control over the other(s) or the counterparties are, directly or indirectly, controlled by a third party (bank may or may not have exposure towards this third party). In case of financial problems of the controlling entity, it is highly likely that the controlling entity could make use of its ability to extract capital and/or liquidity from the controlled entity, thereby weakening the financial position of the latter. Financial problems could be transferred to the controlled entity, with the result that both the controlling entity and the controlled entity would experience financial problems (domino effect). From prudential perspective, these type of clients (connected by control) form a single risk.

(b) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s), as a result, would also be likely to encounter funding or repayment difficulties.

In establishing control relationship, the Bank must consider the following criteria:

- 1) Controlling/Substantial Interest, i.e. holding of shares, conferring voting rights of 10% and above by the same enterprise or by the same individual himself or jointly with his/her close relatives and/or more than 50% of the directors/partners (excluding the ones nominated by Government of India/State Government/Reserve Bank of India/NABARD/Financial Institutions/Banks/Debenture Trustees) in one enterprise are the same; and/or
- 2) Two or more enterprises have a contractual arrangement to share the power to govern the financial and/or operating policies of the said enterprises; ·and/or
- 3) One company is subsidiary company (as defined under Companies Act) of another company either by itself or through one or more subsidiaries.
- 4) If holding company of two or more companies is the same company.
- 5) If there exists a "holding and subsidiary relationship" between the borrowing company and such group company/ies (in the case of a split in the group, if the split is formalized, the disintegrated groups will be regarded as separate groups); or
- 6) If the borrowers fall under any or more of the following criteria:
  - a) If companies/ firms have common Directors/ Partners, excluding professional/independent nominated Directors;
  - b) If majority of the promoter directors are either partners in a firm or directors in private or public limited companies and have substantial interest (50 % or above) in the equity/ shares in the firm;
  - c) If the majority of the directors are employees of another company with or without any substantial interest held by them;
  - d) If there exists significant equity interest with voice in management (as mentioned in Articles of Association);
  - e) If it is otherwise so declared by the borrower in the credit application; and
  - f) If the borrowers are close family members (in case of individual & partnership firms)

In establishing connectedness based on economic interdependence, bank must consider, at a

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minimum, the following criteria:

1. Where 50% or more of one counterparty's gross receipts or gross expenditures (on an annual basis) is derived from transactions with the other counterparty;
2. Where one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default if a claim occurs;
3. Where a significant part of one counterparty's production/output is sold to another counterparty, which cannot easily be replaced by other customers;
4. When the expected source of funds to repay the loans of both counterparties is the same and neither counterparty has another independent source of income from which the loan may be serviced and fully repaid;
5. Where it is likely that the financial problems of one counterparty would cause difficulties for the other counterparties in terms of full and timely repayment of liabilities;
6. Where the insolvency or default of one counterparty is likely to be associated with the insolvency or default of the other(s);
7. When two or more counterparties rely on the same source for the majority of their funding and, in the event of the common provider's default, an alternative provider cannot be found in this case, the funding problems of one counterparty are likely to spread to another due to a one way or two way dependence on the same main funding source.

However, retired staff of bank and their relative is to be treated at par with General Public and retail loans/other loans to them are to be sanctioned on terms and conditions for general public except for any special schemes introduced by the Bank.

### **5.3 Exemptions to Exposure Ceiling:**

#### **• Loan against own term deposits**

Loans and advances (both funded and non-funded facilities) granted against the security of bank's own term deposits shall not be reckoned for computing the exposure to the extent that the bank has a specific lien on such deposits.

### **5.4 Guarantee by the Govt. of India**

The ceilings on single /group exposure limit would not be applicable where principal and interest are fully guaranteed by the Government of India.

#### **5.5 Exposure To Unsecured Guarantees And Unsecured Advances:**

As per RBI guidelines ‘unsecured Advances’ are defined as an advance where the realizable value of the security, as assessed by the Bank / Approved Valuers / NABARD /Inspecting officers, is not more than 10 percent, ab initio, of the outstanding funded & non funded exposure. ‘Security’ will mean tangible security properly charged in favor of the Bank and will not include intangible securities like guarantees, etc. As a prudent policy bank has decided to issue guarantee to its valuable customers only.

#### **5.6 Ceiling On Loans / Advances Against Shares & Debentures Etc. To Individuals:**

No advances to individuals against shares/debentures will be considered by the Bank.

#### **5.7 Sanction of Loans / Advances to Applicant Who Had Settled Their Dues By Compromise / OTS:**

No loan to be granted to Wilful Defaulters (Refer to Recovery Policy), and Promoters/Partners/Directors of such companies/Firms availing credit facilityies from our Bank / Other Banks / Financial Institutions/ NBFCs, whose loans were settled under compromise /write off. However, for exposures written off under loan waiver schemes of Central / State Government, such restrictions will not apply.

In respect of promoters/ borrowers / guarantors , whose loan accounts were closed (i) under compromise settlement involving write off, or (ii) by the Bank/other banks/NBFCs with a write off, further lending fresh, review with increase & takeover proposals) to them can be considered by the sanctioning authority strictly on the merits of each case, subject to the following conditions:

<b>Loans &amp; Advances(other than Credit Card write off)</b>	<b>Credit Card write off</b>
<p>1.The aggregate amount written off in regard to all the credit facilities provided to the borrower by the Bank/other banks/NBFCs was not higher than Rs. 1.00 lakh.</p> <p>2. Current CIBIL score of the borrower must be at least 701 in case of Retail Loans.</p> <p>3. The loan accounts should have been adjusted/ closed at least 1 years prior to the date of current application for fresh credit facilities.</p>	<p>Cases where credit card account status write off / settlement involving amount upto Rs.10,000/ (upto Rs.50,000 if date of write off/settlement is more than 5 years and Current CIBIL score of the borrower is at least 701 (in case of Retail Loans), at least 701 (in case of Retail Loans), no deviation is required;</p>

The delegation of powers for fresh finance as per norms to applicant who had settled their dues by compromise/ OTS will be rest with Regional Head and above.

In case of compromise/ OTS with our bank, sanctioned by the branches the power of fresh finance shall vest with Regional Head up to their DLP and if the compromise/ OTS is sanctioned by the Regional Head, the power of fresh finance shall vest with General Manager.

**Note:**

1. While considering deviation proposal where write off / settled amount is not available in CIBIL/ other bureau report, sanctioning authority may consider 'High Credit' amount displayed in CIBIL / other bureau report for the purpose of quantifying the write off / settled amount.
2. In case the loan account(s) of the borrower was/were previously with our Bank, the borrower should pay upfront (before disbursal of the fresh credit facilities, if(sanctioned) the aggregate sacrifice involved on the part of the bank through write-off, waiver of interest charges, absorption of legal & other charges, sanctioning power of such proposals shall vest with respective authority within their DLP.
3. In case of review of accounts, sanctioning authority may take a view in all such cases without referring for deviation
4. No loan should be granted to willful defaulter and fraud account.
5. In case of Government/RBI approved Scheme or any other scheme adopted by the Bank if instructions/rules to waive the reimbursement of sacrifice is mentioned in OTS/compromise scheme of the Bank, the borrower will be eligible for sanction of fresh loan without reimbursement of sacrifice amount and sanctioning power of such proposals shall vest with respective authority within their DLP.

The above guidelines are equally applicable for loan and advances to the group accounts of the applicant.

## **6. DISCRETIONARY LENDING POWERS (DLP):**

**6.1** Various functionaries in the Bank are exercising Discretionary Lending Powers in terms of the approval granted by the Board of Directors from time to time. Branches/Regions are advised to be guided by the guidelines in respect of Discretionary Lending Powers. All other extant guidelines on the exercise of discretionary lending powers contained in Loan Policy and circulars issued from time to time need to be scrupulously followed by various functionaries. Further, where scheme-specific powers and guidelines have been advised, the same are to be followed.

The guidelines of the Bank, for the purpose of exercising lending powers, the tangible security (i.e. Primary as well as Collateral) properly charged to the bank, is to be taken into account to

decide secured or unsecured advances. Intangible securities like guarantees etc. will not be reckoned as security. Further, extension of charge on current assets and 2nd charge on fixed assets would not be considered as security for exercising powers under “Secured Advance”.

While exercising credit-rating-linked lending powers, the sanctioning authority should consider the rating carried out on the basis of latest audited financials. Where latest audited financials are not available, the powers shall be exercised based on the credit rating arrived at by considering last audited financials or latest unaudited financials, whichever is later.

The Delegation of Lending Powers are given to each delegatee, looking into organizational structure, specific business requirements. All delegatees shall strictly adhere to the operative guidelines governing the exercise of Delegated Authority.

All delegatees should strictly adhere to the prevailing Reporting System of exercise of Delegated Powers.

The Discretionary Lending Powers for various authorities are as under:

**(Amount in Lakh)**

Cadre of Officer	Aggregate per party Limit (FB+NFB)	Aggregate group Limit (FB+NFB)	LABOD	Adhoc / Excess over sanctioned limit
Chairman- HOCC- I	2000	4000	Full Power (up to 95% of current value)	50
General Manager (Dy.GM)- HOCC- II	1000	2000	Full Power (up to 90% of current value)	25
General Manager (AGM)- HOCC- III	800	1600	Full Power (up to 90% of current value)	25
Headed by RM Scale- V- RMCC- I	500	1000	Full Power (up to 90% of current value)	25
Headed by RM Scale- IV- RMCC- II	200	400	Full Power (up to 90% of current value)	15

Headed by Chief Manager at RO – CMCC	100	200	Full Power (up to 90% of current value)	10
Headed by Chief Branch Manager– BMCC	75	NA	Full Power (up to 85% of current value)	NIL
Headed by Senior Manager at RO – SMCC	50	100	100 (up to 85% of current value)	NIL
Senior Branch Manager – Scale- III	30	NA	60 (up to 85% of current value)	NIL
Branch Manager – Scale- II	20	NA	40 (up to 85% of current value)	NIL
Branch Manager – Scale- I	10	NA	20 (up to 85% of current value)	NIL

The Delegation of Powers shall be reviewed/ revised periodically depending on business exigencies, RBI/NABARD, Sponsor Banks' guidelines and feedback and suggestions received from operational units, with the approval of Board.

#### **6.2 Powers for Allowing Adhoc /Excess:**

##### **Adhoc/excess over limit:**

Competent authorities may allow excess over the sanctioned OD/CC limit up to 10% of the sanctioned limit or discretionary lending powers (whichever is lower) normally for a period of 14 days at a time (maximum 02 times in an account in a F.Y.) subject to the condition that there is no overdue in the account, account is duly reviewed & there are no irregularities persisting in the account. In case of 3<sup>rd</sup> time the reference should be made to General Manager / Chairman duly recommended by the Regional Manager.

- The excess so granted must be reported to Regional Office/ Head Office within a period of -3- days of granting the excess. No excess is to be granted where there are overdue in the account and the account is overdue for review or there is any other irregularity in the account. The outstanding in the account should be within the drawing power calculated on the basis of stock statement not more than -3- months old.

- The adhoc limits shall be sanctioned to such good borrowers of the bank whose account has been running satisfactorily & have been reviewed and are having at least credit rating “B”, as per Internal Rating system adopted by the bank.
- There are no irregularities persisting in the loan account.
- The period of adhoc limit any sanctioned shall not exceed 02 months. The Chairman may grant adhoc limit for a maximum period of 03 months. Powers for TOD / excess over sanctioned limit will be for 14 days only.
- The adhoc limit shall not be sanctioned by the authority that has sanctioned the regular limit, but it shall be referred to next higher authority. Both the existing limits plus adhoc limit should not exceed their DLP for aggregate per party limit or aggregate group limit. Only Chairman can exercise his powers for adhoc sanction in accounts sanctioned by him even though the regular amount plus adhoc amount exceeds his Discretionary Lending Power for per party/group limit, subject to the maximum of his adhoc power.
- In case an adhoc limit is sanctioned in an account, no further adhoc shall be considered by any authority including the authority, which sanctioned the adhoc facilities, unless the existing adhoc is adjusted.
- In any account, adhoc facility should not be considered more than 02 times in a financial year by any authority. In case of further request of adhoc facility, reference should be made to next higher authority (General Manager / Chairman only), who will consider the adhoc for 3<sup>rd</sup> time only.
- No adhoc limit is to be considered for the first year of sanction.
- The Officers posted at any specified sanctioning cell e.g. Samooh Rath, Urban Credit Cell & Rural Credit Cell etc. will exercise discretionary lending powers as per their scale. In the same way, head of various level Credit Committees will exercise their DLPs for sanctioning loans.
- The Regional Managers after reviewing the progress may extend the annual cap of Branch Heads/ specified sanctioning cell i.e. Samooh Rath, in charge of UCC & RCC etc. (if any) of bank.
- Scheme specific unsecured advances (e.g. personal loan, education loan etc.) will be sanctioned by all sanctioning authorities within their DLP.

### **6.3 Other Extant Guidelines On Lending Powers:**

In case the permanent Branch Manager is on leave, the officers who are in-charge of the branches are authorized to grant advances against bank's own deposits (LABOD), NSC, LIC Policies and KVPs up to the lending powers subject to reporting to branch manager under PSR system. In view of the lower level officers being granted powers for such advances, it should be ensured by the Branch Head that four-eye principle is observed in such sanctions. The same to be ratified by the branch manager on resuming the duty.

Loans against FDR/NSC/KVP/LIC standing in the name of the Branch Manager singly or jointly with his family members shall be recommended to the Chief Manager (RO) / Regional Manager for sanction. No power shall vest with the Branch Head to sanction such loans. However, above loans to other branch officials/staff shall be sanctioned by the Branch Head within his prescribed DLP.

Authorities at the level of Regional Managers and above only may exercise delegated lending powers to consider credit facility against hypothecation of book debts, provided the constituents offer sufficient tangible collateral security, the value of which being 200% of the advance, by way of mortgage of immoveable property and/ or other securities/NAV of liquid securities equal to Bank loan. In case of any deviation, the same should be recommended to Head Office along with valid justifications.

The effective DLP of Branch Managers of different cadres will be in accordance with DLP defined for their actual cadre/ scale i.e. DLP of officer Scale-I, scale-II, scale-III, scale-IV or Scale-V and NOT as per officiating cadre (if any) and also if not delegated specifically.

Under special circumstances and in the business interest of bank, Loan Proposals under sanctioning power of 'Member Committee of the Board' may be sanctioned by Chairman in case meeting of 'Member Committee of the Board' is not possible immediately, However, confirmation of such sanctions will be obtained from the competent Credit Committee in its next meeting and will be placed before the Board of Directors in the next meeting for information.

Loan will be sanctioned under all loan schemes of the Bank under their DLP of all cadre officers of the Bank including Personal Loan as well as Education Loans. However, unsecured advances other than prevailing loan schemes of the Bank will be sanctioned as defined above under 'Unsecured Advances'.

#### **6.4 Delegation of Miscellaneous Credit related matter:**

The Matters pertaining to operational implications shall be considered by Chairman/ General Manager. Similarly, the matters which are emergent by way of directions of regulators viz. RBI, NABARD, GOI, Sponsor Bank etc. may be considered by Chairman in case of meeting of 'Member Committee of Board' is not possible immediately and will be placed before the 'Member Committee of Board' in the next meeting for information/ ratification.

#### **6.5 Cap on Discretionary Lending Powers per year of various authorities:**

The annual cap on discretionary lending powers will be prescribed below the level of Regional Manager for per party and per group. The cap on discretionary lending powers will not be applicable on Regional Manager and Authorities above the level of Regional Manager. Depending

upon business needs, the Branch Managers may be authorized to exceed the annual ceilings by the Regional Manager by considering suitable increase in the ceiling.

The sanctioning authorities are to maintain necessary Branch-wise records to ensure that the above cap is duly complied with and the same needs to be reported through Post Sanction Reporting.

The Annual cap / Ceiling on DLP of various authorities per year (for fresh and increase in existing limits) are as under:

Cadre of Officer	Per Party Limit	Group Limit
Chairman- HOCC- I	No Cap	No Cap
General Manager (Dy.GM)- HOCC- II	No Cap	No Cap
General Manager (AGM)- HOCC- III	No Cap	No Cap
Headed by RM Scale- V- RMCC- I	No Cap	No Cap
Headed by RM Scale- IV- RMCC- II	No Cap	No Cap
Headed by Chief Manager at RO – CMCC	30 Times of DLP	25 Times of DLP
Headed by Chief Branch Manager– BMCC	30 Times of DLP	25 Times of DLP
Headed by Senior Manager at RO – SMCC	20 Times of DLP	20 Times of DLP
Senior Branch Manager – Scale- III	20 Times of DLP	20 Times of DLP
Branch Manager – Scale- II	20 Times of DLP	20 Times of DLP
Branch Manager – Scale- I	20 Times of DLP	20 Times of DLP

The following class of advances shall not be reckoned for the purpose of computation of above:

- Advances to staff members under specific schemes for bank's staff only.
- Advances against Bank's own deposits and against specific securities viz., NSCs / KVPs / LIC policies etc.
- Advances under various Govt. sponsored schemes (excluding PMEGP) & to weaker sections including KCC up to 3.00 Lac.
- Review of advances accounts without any increase.
- In case of Review with increase, the existing limits will be excluded and only incremental portion will be included in the cap.
- The annual cap for the Incharge of Samooh Rath, UCC & RCC will be 50 times of their respective powers.
- Regional Manager after reviewing the progress may extend the annual cap of the Branch Manager/ SMCC/CMCC/ BMCC/ Incharge of UCC & RCC/ Samooh Rath.
- For the purpose of exercising lending powers, the tangible security (Primary as well as Collateral) properly charged to the bank will be taken into account to decide secured & unsecured advances. Advances secured against intangible securities such as guarantees will

not be considered as secured advance. Further, extension of charge on current assets shall not be considered as security for exercising powers under “Secured Advances”.

#### **6.6 Various Committees for sanction of Loans:**

- The committee approach has been adopted to sanction the loans **at Head Office, Regional Office & Chief Manager Branch level**.
- All loan applications received by the branches beyond their DLP for sanction shall be placed before the competent credit committees formed at Regional Offices and Head office.
- The details in respect of structure, composition, quorum and powers of the committees are summarized as under:
  - **At Head Office level there will be following credit committees:**
  - Head Office level Credit Committee headed by the Chairman (HOCC-I).
  - Head Office level Credit committee headed by General Manager (Dy.GM) (HOCC-II).
  - Head Office level Credit committee headed by General Manager (AGM) (HOCC-III).
  - Head Office level Credit committee headed by Assistant General Manager (AGM) (HOCC-IV).
- **At Regional Office level there will be following Credit Committees:**
- Regional Office level Credit Committee headed by Regional Manager (RMCC – I for RM Scale V & RMCC – II for RM Scale IV).
- Regional Office level Credit Committee headed by Chief Manager (CMCC).
- Regional Office level Credit Committee headed by Senior Manager (SMCC).
- **At Branch level there will be following Credit Committees:**
- Branch level Credit Committee headed by Chief Manager (BMCC).
- The decisions **at Head Office & Regional Office level** in respect of credit sanctions/takeover of loan accounts/review and decisions in respect of compromise and write-off shall be considered by the appropriate level credit committee.
- The delegated lending powers/powers for Review/powers regarding compromise/written off & concessions etc, of Credit Committees shall be at the same level as hitherto exercised by the executives who will be heading the respective Credit Committees at Head Office/ Regional Office level, in case of long leave/absence of Regional Manager / General Manager, the matter shall be put up at higher level committees headed by General Manager / Chairman respectively.

- With approval and implementation of proposed Head Office/ Regional Office level Credit Committees, delegated lending powers vested in officers posted in Head office/ Regional Office other than Branches shall cease to exist.
- The Officers/Executives at Branches shall continue to exercise Grade/Scale wise powers hitherto delegated by the Board.
- Concessions/deviations on various parameters in respect of Advances:** Concessions/deviations shall be considered / sanctioned by the appropriate level credit committees i.e. Regional Office/ Head Office level committees as per their powers.
- Decisions at the committee are expected to be unanimous. In case the decision is arrived at with majority, the reasons for disagreement and the basis of the decision shall be recorded in minutes.
- The Credit Committees shall monitor and review proposals/applications pending for disposal and expedite action in order to ensure disposal of credit proposals at all levels within the time frame for disposal of applications.
- PSR noting of the proposal sanctioned by different authorities: The PSR observations/noting will be carried out by the next higher authority.
- Chief Manager/Senior Manager/Manager (Cr.) of the committee will play a pivotal role in facilitating smooth conduct of proceeding of a committee.

**▪ Structure of Credit Committees:**

The details in respect of structure, composition and quorum of the committees are given as under:

**a. For sanction by Chairman (HOCC-I)**

Head of the committee	Constitution of HOCC-I	Quorum	Convener
Chairman	1.Chairman 2.General Manager (01) 3.Asstt. General Manager (01) 4.Chief Manager at HO (Any 02) 5. Sr. Manager at HO (Any 01) 6. Sr.Manager (Credit) at HO (01)	Chairman & any other 3 members	Sr. Manager/ In- charge of Credit at HO

**b. For sanction by General Manager (HOCC-II)**

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<b>Head of the committee</b>	<b>Constitution of HOCC-II</b>	<b>Quorum</b>	<b>Convener</b>
<b>General Manager (Dy.GM)</b>	1. General Manager 2. Asstt. General Manager (01) 3. Chief Manager at HO (Any 02) 4. Sr. Manager at HO (Any 02) 5. Sr.Manager(Credit) at HO (01)	General Manager & any other 3 members	Sr. Manager/ In- charge of credit at HO

**c. For sanction by General Manager (HOCC-III)**

<b>Head of the committee</b>	<b>Constitution of HOCC-III</b>	<b>Quorum</b>	<b>Convener</b>
<b>General Manager (AGM)</b>	1. General Manager 2. Chief Manager at HO (Any 02) 3. Sr. Manager at HO (Any 02) 4. Sr.Manager(Credit) at HO (01)	General Manager & any other 3 members	Sr. Manager/ In- charge of credit at HO

**d. For sanction by Regional Manager (RMCC-I & RMCC-II)**

<b>Head of the committee</b>	<b>Constitution of RMCC-I &amp; RMCC-II</b>	<b>Quorum</b>	<b>Convener</b>
<b>Regional Manager</b>	1. Regional Manager 2. Chief Manager posted at RO 3.Sr. Manager/Manager posted at RO (Any 02) 4. Manager/Asstt. Manager (Credit) at RO(Any 01)	Regional Manager & any other 3 members	Sr. Manager/ In- charge of credit at RO

**e. For sanction by Chief Manager (CMCC)**

<b>Head of the Committee</b>	<b>Constitution of CMCC</b>	<b>Quorum</b>	<b>Convener</b>
Chief manager at RO	1.Chief Manager posted at RO	Chief Manager and	Sr. Manager / Incharge of credit

	2. Sr. Manager posted at RO (any 02) 3. Manager / Asstt. Manager (credit) at RO (any 01)	any 2 other member	Dept. at RO
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**f. For sanction by Senior Manager (SMCC)**

Head of the committee	Constitution of SMCC	Quorum	Convener
Senior Manager (Credit)	1. Sr. Manager (Credit) 2. Manager /Asstt. Manager Manager(Credit) at RO (Any 02)	Senior Manager & any one other member	Manager/ Asstt. Manager/ Manager in-charge of credit at RO

**g. For sanction by Branch Head of Chief Manager Scale-IV (BMCC)**

Head of the committee	Constitution of BMCC	Quorum	Convener
Chief Manager (Branch Head)	1. Chief Manager (Branch Head) 2. Sr. Manager/ Manager posted at branch 3. Manager/Asstt. Manager (Any 02)	Branch Head & Any one of the other member	Officer looking after Credit/ Recovery

**6.6.2 For sanction by Branch Manager scale III, II & I**

Considering officers strength at such branches which may have even less than two officers, committee approach may not be practical. However, while taking decisions, as far as possible “Four Eyes” principle is followed for reasonable assessment of proposal.

*NB: In case of long leave/absence of competent sanctioning authority, the matter shall be put up at higher level committees for sanction.*

## **7. AUTHORITY FOR ALLOWING DEVIATIONS / RELAXATIONS:**

The various officials of the Bank have powers of deviations / relaxations in the norms of the Bank Loan Schemes in order to increase qualitative loan portfolio & improve the CD ratio. The guidelines in this regard are as under:

<b>Sr. No.</b>	<b>Sectors of Deviation</b>	<b>Proposed Norms of Deviation</b>			
		<b>Chairman</b>	<b>General Manager</b>	<b>Regional Manager (Scale-V)</b>	<b>Regional Manager (Scale-IV)</b>
<b>1.</b>	Rate of Interest on Advances*	Maximum up to 2% of the prevailing rate	<b>Maximum up to 0.50% of the prevailing rate</b>	<b>No Power</b>	<b>No Power</b>
<b>2.</b>	Enhancement in loan limit.	Full Power subject to their DLP	50% within their DLP	50% within their DLP	30% within their DLP
<b>3.</b>	<b>Eligibility</b>	As per below mentioned point no. 3.1 to 3.8			
	<b>Eligibility Criteria</b>	<b>Chairman</b>	<b>General Manager</b>	<b>Regional Manager (Scale-V)</b>	<b>Regional Manager (Scale-IV)</b>
	3.1. Age (wherever applicable)	Relaxation max. upto 75 years of age	Relaxation max. upto 70 years of age	Relaxation max. upto 65 years of age	Relaxation max. upto 65 years of age

	3.2. CICs score	Full Power	General Manager: CICs upto 75 points below the minimum stipulated score in the scheme where it is clearly mentioned	CICs score upto 25 points below the minimum stipulated score in the scheme where it is clearly mentioned	CICs score upto 25 points below the minimum stipulated score in the scheme where it is clearly mentioned
	3.3. Total deduction % limit (wherever applicable)	Relaxation upto 15% max. over the stipulated norms under scheme	Relaxation upto 10% max. over the stipulated norms under scheme	Relaxation upto 5% max. over the stipulated norms under scheme	Relaxation upto 5% max. over the stipulated norms under scheme
	3.4. Maximum no. of joint borrowers (wherever applicable)	Full Power	Full Power	Full Power	Full Power
	3.5. Minimum land holding requirements (wherever applicable)	Full Power	Full Power	Full Power	Full Power
	3.6. Length of service /Period of running unit (wherever applicable)	Full Power	Full Power	Full Power	Full Power
	3.7. Disbursement schedule in reference of	Full Power	Full Power	Full Power	Full Power

	housing loan etc. i.e. percentage of total loan allocated for specific segment for construction/purchase					
	3.8 Requirement of Income Tax Return (ITR/ Form 16) Wherever applicable	Full Power	Full Power	May relax maximum for 1 year of ITR/ Form 16, wherever ITR / Form 16 required minimum for 3 years*	May relax maximum for 1 year of ITR/ Form 16, wherever ITR/ Form 16 required minimum for 3 years*	
	*However in case of confirmed salaried employee whose total service period is less than 03 years, ITR/Form 16 requirement will be as per their completed service period.					
		Deviation/Relaxation in Security Norms				
4.1	Liquid Security**	Relaxation up to 75% in the norms	Relaxation up to 50% in the norms.	Relaxation up to 50% in the norms.	Relaxation up to 50% in the norms.	
4.2	Mortgage Security**	Relaxation up to 75% in the norms.	Relaxation up to 50% in the norms.	Relaxation up to 50% in the norms.	Relaxation up to 50% in the norms.	
	** Relaxation in the norms of Liquid/Mortgage Security subject to Asset Coverage Ratio should not be less than (1). In case of MSME loan, Regional Manager has authority to allow deviation/relaxation in Fixed Assets Coverage ratio up to 25% for loan exceeding Rs. 50.00 lakhs and upto 40% for loan above Rs.1.00 crore.					

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	<u>Note:</u> Where 100% cash security is available, then no mortgage is required OR if partial cash securities are available then rest amount of loan should be covered with mortgage.				
5.	Documentation/Processing /Unified processing/ Inspection Charges/Penal Charge/Additional Interest /Commission/Expenses etc.	Full Power (Max. allow up to 100% concession)	Max. allow up to 50% concession	Max. allow up to 30% concession	Max. allow up to 20% concession
6.	Margin in all Loan Schemes.	Authorized up to 50%** relaxation in prescribed margin norms of all loan schemes	Authorized up to 15%** relaxation in prescribed margin norms of all loan schemes.	Authorized up to 10%** relaxation in prescribed margin norms of all loan schemes.	Authorized up to 5%** relaxation in prescribed margin norms of all loan schemes.
7.	Insurance	Where insurance is not compulsory then on the basis of borrower request, insurance may be waived in the loan up to Rs. 5.00 lacs.  OR  Irrespective of loan amt. where 100%	Where insurance is not compulsory then on the basis of borrower request, insurance may be waived in the loan up to Rs. 1.00 lacs.  OR  Irrespective of loan amt. where 100%	Where insurance is not compulsory then on the basis of borrower request, insurance may be waived in the loan up to Rs. 1.00 lacs.  OR  Irrespective of loan amt. where 100%	Where insurance is not compulsory then on the basis of borrower request, insurance may be waived in the loan up to Rs. 0.50 lacs.  OR  Irrespective of loan amt. where 100%

		liquid security is available	liquid security is available.	liquid security is available	liquid security is available.
8.	<b>DSCR</b>  <b>(Benchmark DSCR: 1.50)</b>	<b>May bring down DSCR but not below the mark of 1.20 (Average)</b>	<b>May bring down DSCR but not below the mark of 1.30 (Average)</b>	<b>May bring down DSCR but not below the mark of 1.40 (Average)</b>	<b>May bring down DSCR but not below the mark of 1.40 (Average)</b>
9.	<b>DER</b>  <b>(Benchmark DER: 3:1)</b>	<b>Higher DER from satisfactory level up to 5:1 may be allowed subject to the same is properly justified</b>	<b>Higher DER from satisfactory level up to 4:1 may be allowed subject to the same is properly justified</b>	<b>Higher DER from satisfactory level up to 4:1 may be allowed subject to the same is properly justified</b>	<b>Higher DER from satisfactory level up to 4:1 may be allowed subject to the same is properly justified</b>
10.	<b>Current Ratio</b>  <b>(Benchmark Ratio: 1.33)</b>	<b>May be allowed Lower Current Ratio from benchmark level 1.33:1 may be accepted by Sanctioning Authority subject to</b>	<b>May be allowed Lower Current Ratio from benchmark level 1.33:1 may be accepted by Sanctioning Authority subject to</b>	<b>Lower Current Ratio from benchmark level 1.33:1 may be accepted by Sanctioning Authority subject to</b>	<b>Lower Current Ratio from benchmark level 1.33:1 may be accepted by Sanctioning Authority subject to</b>

		minimum of 1.10:1.	minimum of 1.15:1.	minimum of 1.25:1	minimum of 1.25:1
11.	Bank Guarantee	May be allowed concession up to 75% in the value of property to the mortgage	May be allowed concession up to 50% in the value of property to the mortgage	May be allowed concession up to 50% in the value of property to the mortgage	May be allowed concession up to 25% in the value of property to the mortgage.

\* In all loan accounts in which deviation related to interest rate has been received, it is mandatory to ensure review from the concerned authority at the time of review/renewal.

\*\* E.g. In case of Min. Margin is 20%, then Regional Manager( Scale IV) has power to allow deviation up to 5% of 20% i.e. 1% in stipulated Margin Norms.

## 8. REVIEW:

**8.1 Regular Review:** Credit facilities sanctioned to borrowers are subjected to annual review except staff loans, LABOD and the accounts where facilities sanctioned are for a period less than one year & where recovery proceedings have been initiated against the borrower as per guidelines. The accounts are required to be reviewed on or before the due date.

The review takes a comprehensive view on various issues covering financial health, borrower's performance and prospects, quality of the management, conduct of the account, compliance, etc. The review will also evaluate the impact of deficiencies observed during inspection/Concurrent/statutory/ Credit Audit/ NABARD inspection and rectification thereof.

Branches are advised to technically review advances accounts pending receipt of audited financial statements, provided the conduct of the account is satisfactory in terms of:-

- Satisfactory conduct and turnover in the account
- Fulfillment of repayment obligations (Interest/ Installments)
- Adequacy of securities, drawing power, insurance coverage etc.
- Rectification of inspection irregularities (other than non submission of financial statements)
- Compliance of all terms and conditions of sanction.
- Satisfactory trend in production and /or Sales as per projections
- Documentations and mortgages in the account being complete, valid and enforceable
- Prompt payment of bills under L/Cs, realization of BP/BDs, Guarantee Commission etc.
- Submission of Income Tax / VAT/GST returns filed with Statutory Authority as per time schedule prescribed, wherever applicable (which will also indicate about the sales and profitability of the operations).

While the objective of the above system / procedure is to ensure timely review of advances accounts so that the slippage of the accounts to NPA category on technical grounds may be avoided. However branches should nevertheless obtain latest financial statements within a reasonable time (90 days) after the review is conducted and satisfies themselves as to the financial parameters emerging out of the Balance Sheet/ Profit & Loss a/c. In case any adverse features are observed in the financials of the borrower, Branches should immediately initiate appropriate action as warranted after obtaining permission of the Regional Office.

## **8.2 Short/ Technical Review:**

The review process should be initiated prior to the due date of regular review and should be completed before the due date. However, under exceptional circumstances where it is not possible to carry out a comprehensive Regular Review of any account for want of certain essential particulars/ information, short/ technical review can be undertaken for a period of 3 months. As per regulatory prescription, regular and adhoc credit limits need to be reviewed/regularized not later than three months from the due date/date of adhoc sanction. In case of constraints such as non-availability of financial statements and other data from the borrowers, there should be evidences to show that renewal/ review of credit limits is already on and would be completed soon. The first short/ Technical Review of the loan account for 3 months shall be conducted by the sanctioning authority and in case of 2<sup>nd</sup> Short/Technical Review for next 3 months will be conducted by the next higher authority. In case of delay beyond six months from the due date of regular review, the matter should be referred to Head office. Hence, regular review must be completed within 180 days from the due date/ date of adhoc sanction.

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

### **8.3 Review Of Existing Facilities With No Change In Terms And Conditions:**

The sanctioning authority shall review the existing facilities with no change in terms and conditions, up to the discretionary lending powers (DLP) of next higher authority.

While reviewing the facility it shall be ensured that:

- a) There is no downgrading in credit rating/CIBIL score during the review period. In case of downgrade of credit rating/ CIBIL score, the power of review rest with next higher authority, and
- b) Projections, especially sales according to projected Balance-Sheet have been achieved.

The basis for deciding the DLP of reviewing authority in case of Term Loans/Working Capital Term Loan (WCTL) shall be the outstanding amount as on the date of review. In case of other types of facilities, the sanction limit will decide the DLP of reviewing authority.

- **Post Sanction Reporting (PSR):**

Bank follows a Post Sanction Reporting System in place for post sanction monitoring of loans & advances in order to maintain a healthy credit portfolio in the Bank as well as a tool for internal checks & controls. The PSR of the advances shall be done as per undernoted guidelines of the bank. The following powers shall be delegated for PSR of the advance proposals:

Authority for PSR	
Sanctioning Authority	PSR Authority
Branch Manager-Scale I & II	Senior Manager (credit) posted at Regional Office,
Branch Manager-Scale III / SMCC at RO	Chief Manager
Branch Manager Scale IV/ CMCC (Headed by Chief Manager at RO)	Regional Manager
RMCC (Headed by Regional Manager)	HOCC-GM
HOCC-GM	HOCC-Chairman
HOCC-Chairman	Board
Norms of PSR (Information Required)	

Category/size of loan	Information required for PSR
All sanctions viz., Fresh/Increase/Adhoc/Excess/Modifications/ Waivers/restructuring/rescheduling/Deviations up to Rs.1.00 lac in respect of Fund Based credit limits +(Loan against NSC/ KVP/ LIC +LABOD+ SHG/JLG/ +KCC+Personal Loans) irrespective of size of loan. (excluding Staff Loans)	Simplified single line format.
All sanctions viz., Fresh/Increase/Adhoc/Excess/Modifications/ Waivers/restructuring/rescheduling/Deviations above Rs.1.00 lac but below Rs. 10 lacs in respect of Fund Based credit limits+Non Fund Based Limits(excluding as above).	1. PSR format. 2.Copy of Sanction letter duly acknowledged by borrowers & guarantors. 3. Copy of Appraisal Note containing full details of sanction.
All sanctions viz., Fresh/Increase/Adhoc/Excess/Modifications/ Waivers/restructuring/rescheduling/Deviations of Rs.10.00 lac & above in respect of Fund Based credit limits + Non Fund Based Limits(excluding as above).	PSR forwarding letter along with complete proposal (including copy of NEC, valuation report etc.)

The features given below and details are incorporated in Credit Monitoring Guidelines:

- Covers all sanctions and credit decisions viz., Fresh/Increase/Renewal/Adhoc/Excess/Modifications/ Waivers/restructuring/rescheduling/Deviations etc., excluding sanction of staff advances, (i.e. post sanction reporting of staff loans is not required).
- Broad parameters relating to sanction are only examined by the PSR authority whereas the sanctioning authority shall take care of all procedural details on credit appraisal, adequacy of security, documentation etc.,
- Observations of PSR authority are to be attended immediately, which shall also serve as guide to the sanctioning authority for future.
- Disbursement of credit facility/ies is not to be withheld merely for want of observations of the competent authority on PSR.
- The Post Sanction Review of the advances shall be done as per guidelines of the bank. The Branch Manager shall submit and report the loans sanctioned under his delegation to Regional Office on monthly basis on prescribed format. In turn the Regional Office shall scrutinize all these statements within the time frame laid down and bring to the notice of Branch Manager

for deviations, abuse of power etc., for immediate rectification. The Regional Office shall ensure that the rectifications are made within the time stipulated.

- The Regional Office shall report to Head Office **upto 7th day of next month for the PSR relates** on monthly basis the loans sanctioned under their delegation for scrutiny and advice.
- The PSR authority is required to clear the proposal from PSR angle up to 7<sup>th</sup> day of next to succeeding month for which the PSR relates. If the PSR authority has not made any observation within prescribed period, it will be presumed that the PSR authority has no observation to make and the proposal is cleared from PSR angle.

## **9. Credit Administration & Miscellaneous Guidelines:**

### **9.1 Sanction & Disbursement:**

- If any advance sanctioned is not availed of within three months (six months in case of Priority Sector advance & Project Finance / Infrastructure Finance) from the date of sanction, the facility should not be allowed without referring the matter to the sanctioning authority.
- Stipulated terms and conditions of the sanction are to be conveyed to the borrower and guarantors in writing and on acceptance; the disbursement should take place after due execution of necessary documents, compliance of various terms and conditions of sanction along with vetting of loan documents.
- In case of sanction of a proposal beyond the Discretionary Lending Powers of the Branch Head/SMCC/ CMCC/RMCC prior permission from the sanctioning authority must be obtained for release of loan to the party.
- All credit disbursements shall be made in prescribed manner and only after ensuring execution and scrutiny of all the required documents and compliance of all the terms of sanction including creation of Mortgage and registration of charges. Hence, field functionaries should preclude from disbursement without compliance of terms of sanction.
- Normally, all the terms and conditions of sanction, including documentation/completion of mortgage formalities, have to be complied with before releasing credit facilities. Wherever due to pressing needs, the limits are required to be released without complying with security creation formalities, approval in such cases should be obtained from the Retrospective sanctioning authority.
- Similarly, wherever deviation is permitted by the Sanctioning Authority, the Branch Head who has recommended and the Regional Head/ RMCC, who has either recommended or sanctioned such deviation, as the case may be shall be responsible for compliance of Banks norms stipulated in the respective Bank scheme (except permitted deviations) and other stipulations fixed at the time of permitting such deviation.
- It should be ensured that there should not be any inordinate delay without any valid / genuine reasons between sanction and disbursement of credit proposals.

- To speed up the process of disbursement, borrower should be informed in writing all the stipulated terms and conditions of sanctioned credit proposals so that the same are compiled promptly.
- In cases of delay, normally the borrower shall be informed in writing about the reasons for such delay and desist from making any oral commitment of disbursement.

## **9.2 DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS:**

- Disbursement of loans sanctioned is to be made immediately on total compliance of terms and conditions including execution of loan documents governing such sanction.
- Any change in the terms and conditions, including interest rate and service charges, will be informed individually to the borrowers in case of account specific changes and in case of others by Public Notice / display on Notice Board at the branches.
- Changes in interest rates and service charges will be effected prospectively or as decided by the Board/Bank.
- Consequent upon such changes any supplemental deeds, documents or writings which are required to be executed; the same shall also be advised. Further, availability of facility will be subject to execution of such deeds, documents or writings.
- In case of loans sanctioned above the powers of the Branch Managers prior approval for disbursement is to be obtained by the branch from the sanctioning authority.

## **10. POST DISBURSEMENT SUPERVISION**

### **10.1 Post Disbursement supervision**

- Post disbursement supervision, particularly in respect of loans up to ₹2.00 lakh, would be constructive with a view to take care of any genuine difficulties that the borrower may face.
- **All securities pertaining to the loan should be released on receipt of full and final payment of the loan subject to any legitimate right of lien and / or set off for any other claim that the Bank may have against the borrower. If such right is to be exercised, borrowers would be given due and proper notice with requisite details.**
- Keeping in view competitive market scenario & comfort of the clientele of the Bank, the Competent Authority (**Regional Manager**) in existing loan accounts are authorized to consider dilution/modifications in collateral securities in loan accounts on very selective basis subject to powers given in this respect with ensuring the following:
  - The loan account is in standard category.
  - The project is in a running condition.
  - The residual collateral securities (mortgage +liquid securities) are more than 100% of loan O/S or in proportion to the collateral securities as per prescribed norms of the respective loan scheme.

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- The party is resourceful person & is Bank's prospective borrower.
- The dilution/modifications are subject to satisfactory clearance from PSR angle by the next higher authority.
- **10.2 Central Registry of Securitization Asset Reconstruction and Security Interest of India(CERSAI):**
- All loan proposals sanctioned against the following type of security are required to be registered with CERSAI portal. The branches shall ensure that the registration has been done as per the time schedule.
- Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds.
- Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage by deposit of title deeds.
- Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
- Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, copyright, trademark, Licence, franchise or any other business or commercial right of similar nature.
- Particulars of creation, modification or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage.
- Once the loan account is fully repaid or settled, banks or lenders are required to return all original documents related to movable and immovable property, and remove any charges registered against the borrower. This process must be completed within 30 days. Failure to do so will result in a penalty of ₹5,000 per day of delay, as per RBI's recent directive aimed at ensuring prompt release of property documents.
- Additionally, borrowers will be given the option to choose the branch where they wish to collect their original documents. This provides flexibility for the borrower in retrieving their property papers, reducing potential inconvenience post-loan closure.

- **Exclusions:**

- Any vehicle registered with the VAHAN Registry shall be deemed to be registered with the Central Registry.
- Any security interest created in agricultural land is excluded from the provisions of the SARFAESI Act 2002 and that any security interest for securing repayment of any financial asset not exceeding ₹1.00 lakh is also excluded.

- Standing crops and livestock etc. hypothecated to banks are covered under SARFAESI Act 2002 subject to the minimum value of ₹1.00 lakh of financial assets. Since there is no intent to invoke the SARFAESI Act for standing crops, this will cease to be a concern.

### **10.3 Documentation:**

Documentation forms an important part of lending which establishes the following: -

- Legally enforceable contractual relationship between the Bank and the constituent such as Lender/ Borrower.
- The nature and description of the security, if any, offered for the advance, and
- The terms and conditions of sanctioning the advance.
- Bank's unfettered rights for crystallization of securities when necessary.

At the time of happening of default by the borrower, as a last resort, documents obtained by the Bank form the basis upon which the Bank may file a suit, as and when found necessary, in a competent Court of Law against the defaulting borrower/guarantor.

Creation of charge over Security is also an important aspect involving creation of mortgage, assignment etc. Such charges are also to be registered with appropriate authorities in case of certain type of borrowers say with, **Registrar of Companies in case the borrower is a Limited Company and CERSAI (Central Registry of Securitization Asset Restriction & Security Interest of India) in respect of all the mortgages.**

Obtaining prescribed documentation, creation and registration of charges (wherever applicable) should be accorded utmost importance and sufficient care should be taken to release funds only after completing the relevant formalities.

### **10.4 Requirements before Disbursements:**

#### **i) In case of advances accounts falling within the discretionary Lending Powers of the Branch Manager:**

The Branch Manager has to make necessary arrangements to ensure compliance of the following aspects before making any disbursement under fresh/increase credit facilities and the proper record in this respect has to be kept by the Branches for perusal of higher authorities / inspecting officers / auditors:

- Full compliance of the stipulated terms and conditions (unless specifically exempted by the competent authority)
- Getting the documents duly vetted (wherever required) as per Bank's extant guidelines.
- Ascertaining that the Borrower has obtained necessary license, permission, clearance, approvals required for running the business.

- Pre-disbursement inspection/site/unit(s) visit.
- Creation of charge over Security.
- Coverage of SME accounts under credit guarantee scheme (if eligible).
- Filing of Charges with ROC in case of Limited Company
- Registration with CERSAI in respect of all the mortgages.

**ii) In case of advances accounts falling beyond Branch Manager's powers:**

The Branch Manager has to personally verify and confirm in writing to the concerned competent authority that the aspects mentioned in (i) a to h are fully complied with and obtain the prior approval from the sanctioning authorities in writing before making any disbursement under fresh / increased credit facilities.

**10.5 INSURANCE:**

All assets (stocks / fixed assets) charged to the Bank as security for advances are to be comprehensively insured against the possible basic live risk, theft / burglary, fire & Strikes, Riots, Malicious Damages, (SRMD), with an insurance company, in the name of borrower/guarantor, with Bank Clause, at borrower's expenses, unless insurance is specially waived or not required to be taken as per provisions relevant of lending scheme. However, on the request of borrower insurance in small loans up to Rs. 25000/- (other than govt. sponsored schemes or otherwise compulsorily to be done) shall be waived keeping in view the cost burden to be borne by such borrowers. The Bank is having Agency Arrangements / corporate tie up with various General Insurance Companies. The branches should avail the benefit of the tie up and ensure appropriate action as per the guidelines of the banc-assurance.

Authorities for relaxation in Insurance to various officials have been given in deviations segment.

Primarily, it is borrower's responsibility to get an insurance cover. However, since the assets are charged to the bank, the bank should ensure that adequate insurance is obtained. Whenever, insurance is taken by the bank, the insurance premium should be paid to the debit of borrower's accounts and it should be advised to the borrower. In case of term loan accounts, if insurance charges are debited to term loan account it should be immediately recovered.

In case of renewal of insurance in NPA loan accounts, a notice shall be served to the concerned borrower (if the borrower is not cooperating with the branch) for timely renewal of the insurance at their own cost. However, if borrowers are not getting the securities insured in case of suit filed & decreed accounts and NPA A/c wherever securities are available, the branch should get the insurance cover before the expiry of the insurance to the debit of its P/L Insurance account and a note of the same may be made along with the expenses incurred in respect of that particular suit

filed & respective NPA advance account.

**10.6 Rate of interest:** In respect of credit facilities where the rates of interest are governed by RBI, the Bank shall stipulate appropriate rate of interest in tune with the relative guidelines in vogue from time to time.

In respect of credit facilities where Bank has freedom to fix lending rate, the Bank shall adopt competitive approach in pricing with regard to nature of risk, rates, cost of funds, cost of services/operations and market factors.

In case of consortium advances, the Bank shall normally stipulate prescribed by the lead (Sponsor) Bank.

As per extant guidelines, ALCO is the competent authority for pricing of assets & Liabilities in the Bank.

RBI, vide Circular dated 18.08.2023, has issued guidelines for “Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans”, which shall be effective from 01.01.2024.

Accordingly, in case of upward revision in applicable interest rate, the Borrower shall have an option to switchover interest rate; as per Bank’s Policy.

**Service charges:** The circulars on service charges issued from time to time should refer for detailed guidelines.

#### **10.7 Post Sanction Monitoring:**

As the health of the advance truly lies in proper follow-up, it is obligatory on the part of the authorities concerned to exercise sufficient care to monitor the account. Incumbent should keep close watch on account like routing of turnover, diversion of funds, proper utilization of funds, frequent excesses, and stock inspection remarks etc. Such controls would throw advance information for taking appropriate decision in order to avoid slippage of the account.

#### **10.8 Periodicity of Inspection/Asset Verification:**

The periodical inspection of borrower’s unit and collateral securities are to be carried out as under:

##### **Primary Securities/Borrower’s Unit:**

- KCC – Once in a year
- Farm Mechanization/ Tractor/Agri.Implements /Agri.Allied /Horticulture /ACABC/ Dairy/ Agri. Land Purchase/Deep borewell- Half Yearly

- Working Capital (CC/GCC/Agri. Input to traders/MSME etc.)

**Up to Rs 50,000/-: Yearly**

**Above 0.50 to 2.00 lakh: Half Yearly**

**Above 2.00 lakh to 25.00 Lakh: Quarterly**

**Above Rs 25.00 Lakh: Monthly**

- Loans to Self-employed & professional/Loans to Doctors/SRTO/Car/Two Wheeler/Commercial Tractor /Traders/MSME /GCC/Stand Up India Loans:

**Loans up to Rs.25.00 lacs: Half yearly**

**Loans above Rs.25.00 lacs: Once in every 3 months (Quarterly)**

- Property Loan/House Loan/Home Improvement/Krishak Awas:

**In Regular Accounts: Once in Two Years**

**Other Accounts: Half yearly**

- Loans against future rent receivables: Once in a Year

#### **10.9 Collateral Securities:**

The periodical inspection of collateral securities charged to the bank are to be carried out as under:

**Loan up to Rs. 25.00 lacs: Once in a two year**

**Loans above Rs. 25.00 lacs: Once in a year**

- As per requirement of scheme Bills/vouchers shall be kept in records. Copy of registration certificate and insurance policy of the vehicle with Bank's lien noted should be kept on records.
- Inspection charges to be debited as per the guidelines of the Bank.
- The periodicity suggested is the minimum stipulation and based on the need, the concerned authorities' up to Regional level may visit more frequently, especially in case of accounts causing concern.

#### **10.10 End Use of Funds**

RBI has directed that Branches should ensure that the loans sanctioned by bank, particularly the general-purpose loans are used for the purpose for which the same are sanctioned and not diverted to the capital market/ real estate. The Branches should continuously monitor end use of funds and obtain certificates from the borrowers certifying that the funds have been used for the purpose for which these were obtained and not diverted to the capital market/ real estate.

### **10.11 Liquidation of Securities:**

Normally, no permission for liquidation of securities shall be granted to the branches. However, the same may be allowed on selective basis for which the proposal should be submitted to next higher authority with due recommendations.

In case of NPA accounts, branches should appropriate the liquid securities in the name/s of the borrower/s or guarantor/s with prior permission of Regional Manager before initiation of any legal recovery proceedings. A reasonable notice will be required to be given to the person concern.

### **10.12 Substitution of Securities:**

In case the value of substituting security is either equivalent to or more than the security to be substituted, Regional Manager can consider security substitution with adequate due diligence on the proposed security. In case of dilution of security, the matter should be referred to Regional Manager or next higher authority.

### **10.13 MONTHLY/QUARTERLY MONITORING:**

For the purpose of monitoring of large borrower accounts, to prevent asset quality slippage, to take timely corrective steps and to improve the quality of credit portfolio, bank has the system of monthly / quarterly monitoring. Under the system, all existing advance accounts shown in following table with exposure (FB+NFB) are to be monitored at Regional/Head Office levels based on monthly/quarterly monitoring reports submitted by branches, as per details given below:

<b>Loan Range</b>	<b>Periodicity</b>	<b>Submission date of Return to Regional Office</b>	<b>Submission date of MMR by Regional Office to Head Office</b>	<b>Remarks</b>
(i) Rs.10lakhs & above but below 50 lakhs (excluding KCC accounts+ Staff Loans +LABOD)	Quarterly	15 <sup>th</sup> day of the succeeding month to which the QMR relates	----	RMCC Sanctioned Loans to be submitted to Head Office
(iii) Rs.50 lakhs & above (excluding	Monthly	5th day of the succeeding month	10 <sup>th</sup> day of the succeeding month	

KCC accounts+ Staff Loans +LABOD)		to which the MMR relates.	to which the MMR relates.	
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The common reporting format (Annexure II) of MMR/QMR has been devised on which QMR & MMR has to be prepared by the branches. Branches will submit the information on devised formats to their Regional Offices.

The MMR has to be submitted by the branches to their Regional Offices on 5<sup>th</sup> of the next month as per schedule mentioned above.

The QMR has to be submitted by the branches to their Regional Offices on 10<sup>th</sup> of the next month as per schedule mentioned above.

Branches/Offices are advised to ensure the following:

- All relevant columns/points should be filled/ reported in the monitoring report.
- MMR and QMR shall be prepared in 02 copies by the branches. Of which, one copy will be submitted to Regional Office for scrutiny.
- Regional Office after scrutiny of MMR shall submit the same to Head Office on 15<sup>th</sup> the end of month to which the MMR relates along with observations & rectification of irregularities by the concerned branches to Head Office.
- The basis for deciding the loan range in case of Term Loans/Working Capital Term Loan (WCTL) shall be the outstanding amount as on the reporting month/quarter (as the case may be) of the MMR/QMR to which it relates. In case of CC/OD facilities, the sanction limit will decide the loan range.

## **11. Penal Charges in Loan Accounts:**

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges'. There shall be no capitalization of penal charges i.e., no further interest computed on such charges. The rate of Penal Charges will be @ 2% on overdue portion.
- The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar noncompliance of material terms and conditions.
- The quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Bank's website under Interest rates and Service Charges.

- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- These instructions shall come into effect from January 1, 2024 for all the fresh loans availed/renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or six months from the effective date as per RBI circular number RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated 18.08.2023.
- These instructions shall, however, not apply to Credit Cards, External Commercial Borrowings, Trade Credits and Structured Obligations which are covered under product specific directions.
- In respect of Loans sanctioned under Government Sponsored Schemes, and Retail Loans, penal charges @ 2% will be applicable on OVERDUE portion only and not on the entire outstanding amount.
- In respect of Priority sector loans up to Rs. 25,000, no penal charge is applicable.
- The additional or penal charges are charged to motivate the borrower to comply with the terms & conditions as prescribed and to deter the borrower from remaining noncompliant.
- Waiver/relaxation of penal charges for non-compliance of terms and conditions other than default of Interest /installment payments, Regional Heads are authorized to waive/relax penal charges on case to case basis strictly on merits.

## **12 Credit Audit System:**

- Bank has implemented Credit Audit System in the Bank which is attached with Advances Department.
- The objectives of Credit Audit are:
  - Improvement in quality of credit portfolio.
  - Review of Sanction process and compliance status of large loans.
  - Feedback on regulatory compliance.
  - Independent Review of Credit Risk Assessment.
  - Pick-up early warnings signals and suggest remedial measures.
  - Recommend corrective action to improve credit quality, credit administration and credit skills of the staff etc.
- The major features of Credit Audit are:
  - Following accounts are covered under Credit Audit:-
  - All fresh sanctions / increase in limit whether Fund based and/or Non-Funded limits individually and combined of Rs. 10.00 lakh and above within a quarter.
  - All review with increase of Rs. 10.00 lakh & above within a quarter.

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- All review of existing accounts with sanctioned limit (Fund based and/or Non-Fund based) of Rs.25.00 lakh and above and reviewed within a quarter.
- Accounts with sanction limit between Rs. 10.00 lakh to below Rs. 25.00 lakh have been excluded for subsequent credit audit after carrying out the credit audit once.
- *Staff Loans +Term Loans sanctioned for Rs.10.00 lakh & above but outstanding is below Rs.10.00 lakh +LABOD + self liquidating loans NSC/ KVP/LIC shall be excluded from Credit Audit .*
- Credit audit of all eligible accounts is completed within stipulated period i.e. within a period of 3 to 6 months of sanction/review provided full loan has been disbursed (Housing & Education loan accounts will be audited within 01 year from date of disbursement or completion of project whichever is earlier).
- Regional office to take appropriate steps for rectification of irregularities observed in the credit audit report and arrange for submission of rectification report.
- Credit auditor is required to discuss the findings of the credit audit with branch head.
- The credit auditor is not required to visit the borrower's factory/office premises for carrying out credit audit.
- All NPA ACs are not to be undertaken for Credit Audit. A status note should be prepared for these loan accounts and submit it to the Regional Authority/Competent Authority.
- It shall be the responsibility of the Regional Office to ensure rectification of the discrepancies from the branches and submit RC to Head Office within 15 days from receipt of the Credit Audit Reports (Annexure III).
- One or more Manager/Senior Manager/Chief Manager (as per need) shall be identified by the Regional Manager as Credit Auditor to conduct the Credit Audit of loan accounts of the Bank.
- Regional Office shall submit to Head Office the progress report of Credit Audit on monthly basis which includes detail e.g. no. of eligible accounts for Credit Audit, Credit Audit conducted and rectification of discrepancies from the branches & submission of Rectification Certificate.

### **13. Legal Audit:**

In terms of RBI directives, Branches / offices are required to subject title deeds and other documents to periodic legal audit till such time loan is fully repaid.

As per existing guidelines, Legal audit shall be applicable in respect of all credit exposures of RS.1.00 crores and above.

Compliance of Legal Audit should be ensured as per the guidelines issued from time to time.

The legal audit shall be done with following periodicity:

Advances accounts with exposure (both periodicity FB & NFB credit limit) of	Periodicity
Rs. 1 crore & above upto Rs. 5 crores	Once in 3 years
Above Rs. 5 crores	Once in 2 years

Further, the Guidelines for conducting Legal Vetting in all mortgage based retail loan accounts wherein outstanding is Rs.10 lacs and above (every 5 year) by our empanelled Advocate/legal Officer (other than who have issued N.E.C./ Legal vetting earlier) of Region for ensuring validity and enforceability of mortgages.

#### **STANDARD OPERATING PROCEDURE (SOP):**

##### **1. TITLE SEARCH REPORT BY ADVOCATES**

- 1.1. There are number of instances, where active role of the Third Party Entity (TPEs) were found in fraud against Banks. The services of panel Advocates as one of such Third Party Entity are looked upon for day to day banking business. Title verification is a process of checking and verifying property documents for ascertaining the legal ownership of property and determining any defects in the title of the property. Generally, title verification is conducted by our panel advocates and the report called 'Title Search Report' is produced on the basis of verification. **One of such TPE involved in the entire process of sanctioning loan is Advocate whose opinion is of vital importance in deciding and protecting Bank's interest.**
- 1.2. In view of the above and to enable the field to understand the roles & responsibilities at different stages of the process while obtaining TSR, an SOP in this regard outlining the responsibilities of the Advocate in the entire process flow is explained for the immediate reference of the filed functionaries while dealing and handling the TSR.
- 1.3. The procedure explained below is illustrative in nature and the existing guidelines with regard to the TSR are to be scrupulously complied with.

###### **1.3.1 Initiating the process of referring the matter to Advocate for TSR**

- a. While identifying the Advocate for entrusting the matter, the principle of equitable distribution of work among Advocate available on the panel to be followed without concentrating on one or two Advocates to expedite the process.
- b. To begin with the process, it is necessary that a list of documents required for scrutiny should be given to the customer in the beginning itself. Such list of documents may be broadly containing the following documents:
- i. All the Deed of sale/lease/gift/assignment/trust/award of court/award of arbitrator appointed by court/ certificate of court sale/Patta granted by Government/sale certificate/other material

- documents of title relating to the property to be mortgaged including the link deeds i.e. the deeds of the predecessors in title for the last 30 years.
- ii. Extract of record of rights extracts for 30 years.
  - iii. Permission from competent land ceiling authority or other Authority as applicable in the matter.
  - iv. Permission/ NOC of lessor, if applicable.
  - v. In case of limited company, latest Memorandum and Articles of Association of the company and details of its borrowings till date and borrowing powers.
  - vi. Other relevant particulars, applicable in a particular matter such as mutation, tax receipt, court order, legal heirship certificate etc.
- c. Customers should not be asked to approach the advocates directly and obtain TSR. All the communication & exchange of information/ documents should happen between the Branch & the Advocate without involving the borrower.
- d. Customer shall be informed that they have to furnish all further and other particulars, details, documents, certificates, correspondence, etc. as may be required by the Bank/Advocate after preliminary examination.
- e. While referring the matter to our Advocate for TSR, the Advocate should be advised to immediately inform the details of any further documents required to avoid unnecessary correspondence and delay. The covering letter to Advocate shall contain the list of all the documents provided to them and turnaround time (TAT) required for the purpose. The TAT for providing the TSR starts from the date of handing over of all relevant documents to Advocate for submission of TSR.

### **1.3.2 During the process for preparation of TSR**

- a. Branch or the officer handling the advance proposals should interact with the Advocate and ascertain the gaps if any in title.
- b. Responsibility of the Advocate:
  - i. Advocate should not give title clearance based upon the copies of title deeds submitted by the borrower/guarantor and in addition to their search in Sub Registrar Office and Revenue Records etc. Advocate should also insist for original title deeds including back documents. If the original link documents are not produced for verification, satisfactory explanation is to be given in the title clearance report and should ensure that no charges pre-exist against the property.
  - ii. Examine the title of the property along with the relevant/ connected documents & inform immediately if any further documents/ information/ clarification with regard to the transaction involving the proposed property such as gift, partition etc. is required.
  - iii. Obtain the certified copy of the title deed and compare them with the original title deed and provide non-encumbrance certificate certifying that there is no discrepancy in the documents.

- iv. After verification of the original title deeds Advocate should not part with them either to the borrower/mortgagor or their representatives. The same should be handed over only to Branch Officials for creation of mortgage.
- v. Advocate should give clear opinion about title instead of giving evasive opinion. He should unconditionally certify that the title of the borrower/mortgagor to the immovable property offered for mortgage is clear and marketable and that the same is free from all encumbrances. He should certify that he has taken search of the records of the concerned authorities at least for 30 years prior to the date of certificate.

### **1.3.3 Post Scrutinizing the Title and preparation of the Report.**

- a. Verify that all the documents given to Advocate are returned back along with the TSR & search receipt.
- b. It is the responsibility of the Branch officials to verify that the TSR is invariably in the format. A Search Report must cover the following points –
  - i. Firstly, the search report must specify the details and particulars as to location, measurements, area of the property.
  - ii. It must elucidate who is the owner of the property whether it is individual, company, trust, or other legal person. It should also include a legal opinion on the issue- how the legal personality of the owner will impact on the title of the property.
  - iii. It must include a table of scrutinized records, deeds and documents and the documents which are verified by the authorities must be outlined.
  - iv. It must clarify the nature of the right of the transferor, if it is absolute in terms of enjoyment, possession and disposal or not.
  - v. It must specify if there is any charge or dues or lien on the property.
  - vi. It should specify if the property in question is subject to mortgage.
  - vii. It should inform if there is any kind of encumbrances upon the property for example unpaid tax mortgages, unpaid loans etc.
  - viii. Search Report must specify if there is any third-party interest on the property.
  - ix. It must elucidate if the property is the subject matter of any ongoing litigation or if it is in the process of acquisition by the government.
  - x. At last, it must conclude that if the title of the property is clear and marketable along with a certificate from the advocate having verified the genuineness of the original title deeds intended for creating the charge.
  - xi. Further, any specific advice, comment or opinion can also be inserted in conclusion.
- c. Further clarifications required, if any, should be sought from the Advocate.

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- d. It has to be ensured that the professional fee payable to Advocate should be paid by the branch to the debit of borrower's account as per the agreed schedule of fee and the Borrower should not be asked to pay the Advocate fee for title report.
- e. Branch should also verify the original link documents of the property and if the original link documents are not produced for verification, extra care is to be taken and discrete enquiry is to be conducted with regard to any pre-existing charges over the property in order ensure that no existing charges are there over the property.

## **2. VETTING OF SECURITY DOCUMENTS**

**2.1** Legal Vetting means making a careful and critical examination of documents to be executed in terms of law. Legal vetting of Contracts requires a thorough due diligence of clauses of the agreement and also results in ensuring the following:

- i. Specific rights and duties of each party is defined
- ii. Monetary liabilities are well captured.
- iii. Perfection of security
- iv. Proper payment of stamp duty on documents
- v. Legal remedy is available
- vi. Well defined terms and conditions of contract
- vii. Clarity of aspects and commercial terms

**2.2** In Bank, post -execution of security documents by the borrower/ mortgagor/guarantor and before disbursement of loan, the legal vetting of documents is to be carried out by the Advocate/ Law officer to ensure that the documents are duly executed and is enforceable in Law.

### **2.3 IMPORTANT POINTS FOR CONSIDERATION FOR LEGAL VETTING:**

- i. Legal Vetting requires precise examination of the documents to ensure that it is duly executed by the parties and are valid and enforceable as per law. While doing the vetting of documents, it is advisable that the Advocate/Law Officer to first go through the sanction note which will give an idea about the nature of limit/s, amount of limits, securities stipulated and special stipulations, if any. The Advocate/Law Officer should be aware of the documents to be obtained for each and every credit limit. Set of documents required to be obtained for various credit facilities & loan products were prescribed vide various Circular issued from time to time. After going through the sanction letter, the Advocate/Law Officer can prepare a checklist of documents which are to be obtained for the particular credit facility/loan and can proceed to

- vet the documents as per the checklist.
- ii. The documentation can be categorized into 2 parts viz. Documents creating personal liability on the borrower/guarantor and Documents creating charge on movable/immovable properties offered as security for the repayment of advances. Documents such as Demand Promissory note, letter of Guarantee, etc obtained to fasten the personal liability on the Parties. Documents like Deed of Hypothecation, Mortgage, etc will fasten the liability on the property secured for the advance.
  - iii. Advocate/Law officer should examine and verify the stamp duty affixed on the documents and ensure that it is properly affixed as per the prevalent State laws.
  - iv. It should be ensured that all the blanks are duly filled in the documents including the date of document and ensure that the executants signed the document on all the pages with their names mentioned in block letters under each signature.
  - v. While scrutinizing hypothecation deeds, special care is to be taken to ensure that correct description of the properties hypothecated are mentioned in the schedule
  - vi. While scrutinizing the mortgages, the Advocate/Law officer should look into the legal opinion/TSR and the adequacy and the authenticity of opinion. If any deficiencies are found in the Legal opinion/TSR, immediate steps to be taken to rectify the deficiencies and Advocates should be asked to clarify such deficiencies. Methodology of rectifying such deficiencies by way of a supplementary opinion. Advocate's opinion should always be clear as to the marketability of title and no subjective opinions should be accepted. In extreme exigencies, if the Advocate stipulates conditions, it should be ensured that such conditions are fulfilled and re-examined by the same Advocate who should give his clear opinion after fully satisfying himself about the fulfilment of conditions. Then only disbursal should be made.
  - vii. It should be ensured that description of the mortgaged properties is/are correctly and accurately mentioned in the Mortgage Deeds and other documents.
  - viii. Mandatory registration of charge of Bank with CERSAI/ROC is done, wherever applicable.
  - ix. Wherever registration of documents is mandatory as per Registration Act, it should be ensured that registration is done with the Office of Sub Registrar of Assurances.
  - x. In case of mortgage by deposit of title deeds, it should be ensured that all the necessary documents/Title Deeds as stipulated by the Advocate in the TSR/Legal Opinion should be obtained and kept on record.
  - xi. It is to be ensured that the terms and conditions of sanction are duly acknowledged by the borrower and acknowledgement is kept on record.
  - xii. In case of accounts of company, it should be ensured that appropriate Board Resolution has been passed authorizing the Director/s to execute the documents and create mortgage/hypothecation or any other charge on the Company's assets in favour of Bank.
  - xiii. The vetting in respect of Advances/Loan with exposure Rs.10 lacs to Rs. 1 crore is to be carried out by the Panel Advocate. However, it is to be ensured that the Advocate entrusted

for vetting should be different from the Advocate who has given the TSR/Legal Opinion.

### **3 CONDUCTING LEGAL AUDIT COMPLIANCE (LAC) BY ADVOCATES**

- 3.1** In Order to contain the Large Value Frauds including frauds under Housing Loans segment, Reserve Bank of India vide its **Master Direction no. RBI/DOS/2024-25/118 DOS.CO.FMG.SEC.No.5/23.04.001/2024-25 dated 15.07.2024** emphasized on the system to ascertain the genuineness of title documents particularly for the large value loans. In addition to concurrent audit, the Central Bank directed that the banks should also subject the title deeds and other documents in respect of all credit exposures of Rs. 1 crore and above to periodic legal audit and re-verification of title deeds with relevant authorities as part of regular audit exercise till the loan stands fully repaid.
- 3.2** In compliance of the aforesaid guidelines, our Bank has issued Instruction vide Loan Policy in respect of Legal Audit Compliance to be conducted in Advance accounts having exposure of more than Rs.1 crore.
- 3.3** The LAC exercise is in addition to the Title Investigation Report, Valuation Report, Due Diligence in respect of property to be mortgaged, Obtaining Security documents and creating mortgage, Vetting of security documents, Registration of charge with various authorities and Periodic Inspection of mortgaged property.
1. The LAC is periodic re-verification of title deeds and security documents till the loan stands fully repaid. The primary objective of the Bank is to ensure that the interest of Bank is adequately protected by verification of documentation and charge on securities on Periodic basis. The guidelines issued by the Bank to this effect are in place in the form of various circulars issued from time to time.

**Periodicity for conducting Legal Audit: As per loan policy, the periodicity for conducting Legal Audit is as under:**

Advances accounts with exposure (both periodicity FB & NFB credit limit) of	Periodicity
₹1 crore & above up to ₹5 crores	Once in 3 years
Above ₹5 crores	Once in 2 years

#### **3.5 Role of Branches in Legal Audit Compliance:**

The Branches are required to first identify the accounts that are falling in the purview of Legal Audit Compliance & diarize the date of conduct of Legal Audit of such accounts. After receipt of the Legal Audit Report any irregularity or discrepancy if any reported by the advocate should be rectified immediately and a certificate of rectification duly certified by the advocate should be held on records.

### **3.6 Role of Advocates:**

It is important for the Advocate to ensure the following:

3.6.1 Branch/RO should provide the prescribed format of Legal Audit Report along with the checklist to the Advocate at the time of assigning the task to him/her. The Advocate should be informed to furnish his/her report in the given format only and compile the report as per guidelines given in the checklist. All columns of the report should be duly filled in and commented upon by the Advocate. In case any irregularity is pointed out, the Advocate should suggest the solution/ways of correction for that. The following points should be particularly adhered to by the Advocate:

- i. The Legal Audit report should be in the Bank's prescribed format and should be given as per the checklist provided by the Bank. (Enclosed)
- ii. All the columns in the prescribed format are duly filled
- iii. Details of Security documents perused by the Advocates should be mentioned adequately.
- iv. Comments regarding legal validity and enforceability of the documents to be specifically mentioned.
- v. The ranking of charge of Bank on Collateral securities in case of Consortium/Multiple Banking to be clearly mentioned in the report.
- vi. In case of material litigations, material discrepancies, etc. found, the Advocate should conduct independent inquiry and not only to rely on the information provided by the Bank.
- vii. Suggestions should be given to rectify the irregularities pointed, if any.
- viii. Re-verification of title deeds with relevant authorities to be done in order to ascertain its genuineness.
- ix. Filing and registration of security interest with ROC, CERSAI or both to be clearly mentioned.
- x. Undertakings/information such as Disclosure of nationality, pre- disbursement compliance certificate, borrower's declaration under Section 281 of Income Tax Act to be verified and mentioned in the report.
- xi. In case of Consortium Advance, where Bank is not a Lead Bank, the Legal Audit report of the Lead bank is kept with us. It should be ensured that it covers all the points as stated in our Legal Audit Report format.

### **3.7 Role of Regional Office:**

The role of Regional Office shall be as under:

- i. The Officials of Credit Monitoring/Recovery Department of Regional Office to collect such information and diarize the date on which the Audit is conducted and also, next due date as per the circular
- ii. In consultation with the branches, and keeping in view Amount of Exposure, state of Account in terms of " Stress " etc., to appoint empanelled Legal Advocate for conduct of Legal Audit.

- iii. Branches as well as Regional Office to make a rigorous follow - up for timely early completion of Legal Audit in the Account and obtain the report at the earliest.
  - iv. As soon as the Legal Audit Report is received by the Regional Office the same should be thoroughly scrutinized by the Regional Office, to identify whether the Legal Audit Report is " Qualified or Unqualified ".
  - v. In case the Legal Audit report is "qualified", the qualification or the deficiencies pointed out by the Advocate to be noted and discussed with the Branch Head as well as Borrower.
- It is pertinent to mention here that the purpose of conducting Legal Audit is to ensure that the required documents are obtained, properly stamped, security is charged and perfected as per extant guidelines in vogue. Hence, it is very important that any such deficiency, if observed, in the Legal Audit Report is corrected forthwith and submitted once again to the same Advocate for his / her perusal. Needless to mention, it is required to obtain a supplementary Report / Certificate from the Advocate which confirms that the deficiencies are rectified and obtain an ' unqualified ' Legal Audit Report.
- vi. Once above step is done and the ' unqualified ' Legal Audit Report is received, the Regional Office has to follow step as mentioned in point no. v above.

### **3.9. LEGAL VETTING IN RETAIL LENDING SCHEMES-MORTGAGED BASED LOANS:**

The Guidelines for conducting Legal Audit in all mortgage based retail loan accounts wherein outstanding is Rs.10 lacs and above (every 5 year) is contained in Instruction of Retail loan. The said Legal Audit is also to be conducted by our panel Advocate. The following points are relevant:

- i. Re-verification of title deeds with relevant authorities to check their genuineness and scrutiny of loan documents to be carried out by the Advocate.
- ii. Advocate to obtain certified copy of title deeds from the Office of Sub Registrar of Assurance and to compare the same with Original title deeds to ensure the genuineness of title deeds. Branch to ensure safe keeping of both the certified copy and the original title deed.
- iii. Advocate to submit the legal audit report strictly as per the prescribed format (enclosed) which should be based on checklist (enclosed) as provided.
- iv. The legal Audit assignment should be assigned to a different Advocate (other than the one who had submitted title investigation report, legal opinion or vetting of documents). It should be entrusted to different Advocates at different times on rotational basis.
- v. This exercise is to be carried out by all the branches/offices as per the Bank's prescribed timelines given in the Circular guidelines.
- vi. Regional office shall assist the branches in rectification of irregularities observed by the Advocates.

Format as stated above:

1. Format for TSR
2. Format for Vetting report
3. Format for Legal Audit Compliance Report
4. Format for Legal Audit Report in Retail Loans and checklist.

### **TITLE SEARCH REPORT (TSR)**

**To.**

**The Branch Manager**

.....**Branch**

1	Date of receipt of original title deeds/documents from the Branch.	Name & designation of the official who delivered the original title deeds/documents	Date of delivery of original title deeds/documents along with Title Search report.	Name & designation of the official to whom the original title deeds/documents along with Title Search report is delivered.
2	Name of the Account and details of the Borrower			
	Full Description of the Property			(Please describe the property details with boundaries here properly. General and vague description should be avoided)
3.1	Nature of Immovable Property			
3.2	(i) Survey No (ii) Hissa No (iii) Ghat No (iv) Town Survey No (v) Khasra No.			

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		(vi) Patta No. (vii) Khatha No. (viii) Plot No. (Local name of the field as applicable including sub- divisions should be mentioned)	
3	3.3	Number/Identification Details as per map/plan	(Mention here numbers like flat numbers etc mentioned as per map/plan flats/condominium/apartments)
	3.4	Extent of Property	(Please mention as described in document/ title deed and show it in Sq.ft also)
	3.5	Name/s of the Owner/s	(Full description of the owner/s with present address should be given)
	3.6	<p>Nature of Ownership</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Freehold</li> <li><input type="checkbox"/> Lease hold (mention the residual lease term clearly)</li> <li><input type="checkbox"/> License</li> <li><input type="checkbox"/> Undivided Interest (mention the shares)</li> <li><input type="checkbox"/> Trust Property (mention whether the borrower is a Trustee or beneficiary)</li> <li><input type="checkbox"/> Assignee/Grantee of Govt.</li> <li><input type="checkbox"/> Cultivating tenant</li> <li><input type="checkbox"/> Title only by possession (mention whether adverse possession/or others)</li> <li><input type="checkbox"/> As a member/share holder of society</li> <li><input type="checkbox"/> As a mortgagee</li> <li><input type="checkbox"/> As a servient owner of easement right</li> <li><input type="checkbox"/> Any other (Please mention the nature of ownership here)</li> </ul>	
	<b>Tracing of Title</b>		

		The Advocate submitting the opinion should give a flow chart for 30-year title ordinarily. In the event it is not possible, it should be at least for a period of 13 years giving reasons why 30 years is not possible. The flow chart ideally should be as follows:  First Owner ➤ Second Owner .... 4      ➤ Borrower  <b><i>It should be clearly brought out how ownership came to be acquired by each of the owners both predecessor in interest and successor. While tracing the title deeds, the Advocate has to verify all original title deeds/link deeds and its genuiness.</i></b>
5	<b>Title deeds/document details under which ownership is acquired</b>	

6	<p><i>List of encumbrances</i></p> <p>1) Nature of encumbrance:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Charge under contract</li> <li><input type="checkbox"/> Mortgage</li> <li><input type="checkbox"/> Negative Lien</li> <li><input type="checkbox"/> Lease/tenancy</li> <li><input type="checkbox"/> Right of Maintenance /reversion</li> <li><input type="checkbox"/> Charge by operation of Law</li> <li><input type="checkbox"/> Preemption rights</li> <li><input type="checkbox"/> Right to specific performance under an agreement to sell</li> <li><input type="checkbox"/> Liens/First Charge under laws</li> <li><input type="checkbox"/> Right of reversion to Government</li> <li><input type="checkbox"/> Lis pendens</li> </ul> <p>2) Name of the person in whose favor encumbrance is subsisting</p> <p>3) Date on which encumbrance has come into existence.</p>	
7	<p><b>View on encumbrance</b></p> <p>In the case of encumbrance, the advocate should clearly opine as to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> How far such an encumbrance would affect the value of the property.</li> <li><input type="checkbox"/> Any permission/approvals are required for the Bank to create security</li> <li><input type="checkbox"/> The extent to which Bank's security would be jeopardized because of encumbrance Manner and cost of removal of encumbrance</li> </ul>	

8	<p>Regulatory Issues: Clearly provide the following details: -</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Whether the property is affected by Land Ceiling Law</li> <li><input type="checkbox"/> Whether the property is affected by Land Fragmentation Law</li> <li><input type="checkbox"/> Whether the property is affected by Forest law</li> <li><input type="checkbox"/> Whether the property is affected by Planning Law</li> <li><input type="checkbox"/> Whether the property is affected by Urban Land Ceiling Law</li> <li><input type="checkbox"/> Whether the property is affected by rent restriction/control Law</li> <li><input type="checkbox"/> Whether the property is affected by Environment Law</li> <li><input type="checkbox"/> Whether the property is affected by user restrictions under Municipal/revenue Law</li> <li><input type="checkbox"/> Any other regulatory issue relating to property such as requirement of permission from Development Authority under Law relating to industrial parks</li> </ul> <p><b><u>Advocate has to give a report clearly that property is not subject any regulatory issues, if nothing above is applicable</u></b></p>
9	<p>Views on regulatory hurdles If the property is affected by regulatory issues, the Advocate has to give a clear view, as to:</p> <p>-</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> How far such an encumbrance would affect the value of the property.</li> <li><input type="checkbox"/> Any permission/approvals are required for the Bank to create security</li> <li><input type="checkbox"/> The extent to which Bank's security would be jeopardized because of encumbrance.</li> <li><input type="checkbox"/> Manner and cost of removal of encumbrance</li> </ul>
10	<p><i>List of documents/deeds provided to the Advocate and perused by him</i> The Advocate has to give full description of the documents received and perused by him one by one</p>
11	<p><b>List of documents found out, while examining the deeds as above and in the search in the offices of registrar/revenue authorities affecting the property and examined</b></p> <p>Advocate should take out certified copies and examine the same in the case of documents found out by him during examination as above in column 10.</p>

12	<p><i>List of further documents called for, examined, and perused</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Advocate should provide the list of further documents asked for and examined</li> <li><input type="checkbox"/> In case further documents are not necessary, the Advocate should make a statement here that further documents are not necessary</li> </ul>	
13	<p><b>Whether the documents examined are duly stamped as per the Stamp Act</b></p>	<p>Advocate should clearly state as to whether the documents are duly stamped are not as per stamp act</p>
14	<p><b>Whether the Registration endorsements are in order</b></p>	<p>Advocate should clearly state as to whether registration endorsements are regular</p>
15	<p><i>Certificate of examination</i></p> <p>The Advocate has to give certificate as follows:</p> <p>"This is to certify that I have examined each and every page of the documents required for giving the title clearance certificate and do not find that transactions under the documents sham and fictitious"</p>	
16	<p><i>Certificate of title</i></p> <p>Title Clearance certificate should be as follows: -</p> <p>"This is to certify that the title to the property of the borrower is clear and marketable without any further act on the part of borrower"</p> <p>OR</p> <p>"This is to certify that the title to the property of the borrower is clear and marketable, if the following acts/deeds are done or caused to be done: -</p> <ol style="list-style-type: none"> <li>1. xxxxxxxxxxxxxxxxxxxxxxxxx</li> <li>2. xxxxxxxxxxxxxxxxxxxxxxxxx</li> <li>3. xxxxxxxxxxxxxxxxxxxxxxxxx</li> </ol>	
17	<p><i>List of documents to be deposited for creating the mortgage by deposit of title deeds</i></p> <ol style="list-style-type: none"> <li>1. xxxxxxxxxxxxxxxxxxxxxxxxx</li> <li>2. xxxxxxxxxxxxxxxxxxxxxxxxx</li> </ol>	

	<p>3. xxxxxxxxxxxxxxxxxxxxxxxxx</p> <p>"This is to certify that the above documents if taken would create valid mortgage by deposit of title deeds"</p>
18	<b>Any other suggestion or Advise to protect the security interest of the Bank</b>

**Advocate's Report on vetting of security documents**

Name of the Branch and Account:  NATURE OF LIMITS 1. 2. 3.	QUANTUM OF LIMITS
SECURITIES STIPULATED:	

SANCTIONED ON:	DISBURSED ON:
AMOUNT DISBURSED:	
DOCUMENTS OBTAINED:  A} FOR PERSONAL LIABILITY OF PARTIES:  1. D.P.Note: 2. Hypn. Agreement 3. .. 4. ..etc	B} FOR MOVABLE & IMMOVABLE SECURITIES:
OBSERVATIONS OF ADVOCATE DOCUMENT- WISE:   DATAE OF TITLE CLEARANCE CERTIFICATE:  NAME OF THE ADVOCATE:  COMMENTS OF ADVOCATE VETTING THE SECURITY DOCUMENTS ON TITLE CLEARANCE CERTIFICATE:	
DATE OF REPORT ON INSPECTION OF SECURITIES BY THE BRANCH:   DEFICIENCIES IF ANY FOUND THE SAID INSPECTION REPORT.	SOLUTIONS SUGGESTED BY ADVOCATE FOR RECTIFYING DEFICIENCIES

<p><b>DETAILS OF DEFICIENCIES FOUND IN THE DOCUMENTS</b></p> <p>1. D.P.Note:          2. Hypothecation Agreement          3.          4. etc.</p>	
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***CERTIFICATE BY ADVOCATE:***

- SUBJECT TO THE DEFICIENCIES POINTED OUT ABOVE ALL THE DOCUMENTS ARE IN ORDER.
- NO SERIOUS DEFICIENCYIS INVALIDATING BANK'S CLAIM AGAINST THE PARTIES AND PROPERTIES ARE FOUND.
- THE BRANCH HAS OBTAINED ALL RELEVANT DOCUEMENTS FOR LIMITS SANCTIONED.
- THE SECURITIES CREATED ARE AS PER THE SANCTION STIPULATIONS.
- RELEVANT SEARCHES ON THE PROPERTY MORTGAGED ARE DONE BY THE ADVOCATE.
- HYPOTHECATION/MORTGAGE CREATED IS LEGAGLLY ENFORCEABLE.
- ALL THE DOCUMENTS ARE ADEQUATELY STAMPED.

DATE:

SIGNATURE OF ADVOCATE

**On the letterhead of the Advocate**

**LEGAL AUDIT REPORT**

**I. Basic Data Sheet:**

<b><u>S.No.</u></b>	<b><u>To be filed by the Branch Officials</u></b>				
01.	Name of Branch and Address				
02.	Name of the Borrower				
03.	Customer ID				
04.	Constitution				
05.	Banking Since				
06.	Advance Since				
07.	Sanction Date				
08.	Disbursement Dates				
09.	Amount Disbursed				
10.	Date of Review / renewal				
<b><u>11.</u></b>	<b><u>Nature and Position of the Account</u></b>				
<b><u>Nature of Facility (Fund Bases &amp; Non Fund Based)</u></b>	<b><u>Limits</u></b>	<b><u>Outstanding as on</u></b>	<b><u>Rate of Interest</u></b>	<b><u>Rate of commission and charges</u></b>	<b><u>Nature and value of securities</u></b>

## I. Report of the Advocate

<b>1. Constitution of the Borrower</b>	
<u>Description of documents examined</u>	<u>Deficiencies observed :</u>  <u>Suggestions for Rectifications :</u> i. _____ ii. _____ iii. _____
	<u>Conclusion:</u>  This is to certify that the borrower is duly incorporated / organized and validly existing under the laws of India.
<b>2. Powers of the Borrower to enter into contract/ Agreement</b>	
<u>Description of documents examined</u>	<u>Deficiencies observed:</u>  <u>Suggestions for Rectifications:</u> i. _____ ii. _____ iii. _____ <u>Conclusion :</u>

This is to certify that the borrower has the necessary power and does not suffer from any incapacity to enter into contract with the Bank and perform its obligations under the contract.

### **3. Suitability and Correctness of the security documents**

<b><u>Description of documents obtained</u></b>	Deficiencies observed under each head Loan Documents
<b><u>For Loans</u></b>	
i. _____	
ii. _____	
iii. _____	
iv. _____	Guarantee Documents
<b><u>For Guarantees</u></b>	
i. _____	
ii. _____	
iii. _____	

<b><u>For Security Interest</u></b>	Security Charge / Documents	
i. _____		
ii. _____		
iii. _____	Other Documents	
<b><u>For other purposes declarations / undertakings etc.</u></b>		
i. _____		
ii. _____		
iii. _____		
	Suggestions for rectification	
	<p><b><u>Certificate</u></b></p> <p>This is to certify that loan, guarantees, security and other documents executed and delivered to the Bank by the Borrower truly and correctly reflect the terms and conditions of sanction under sanction letter dated -----</p>	
<b>4. Due authorization, execution and delivery of security documents</b>		

<b><u>Description of documents examined</u></b>	Deficiencies observed	
i. _____		
ii. _____		
iii. _____		
	Suggestions for rectification	
	<b><u>Conclusion</u></b> This is to certify that the signatories to the documents / deeds and other instruments pertaining to the loans, guarantees and security interest have been duly authorized by appropriate document/ instrument and deed and there are no deficiencies in the authorization.	
<b><u>5. Execution and delivery of documents in Legal Forum</u></b>		

Type of execution and delivery (in personal capacity or as an agent or an POA etc.) and mode of authentication of execution and delivery of each of security documents / agreements / deeds/ instruments / declarations and undertakings	<p><b><u>Deficiencies observed:</u></b></p> <p><b><u>Suggestions for Rectifications:</u></b></p> <p><b><u>Conclusion:</u></b></p> <p>This is to certify that Security Documents, agreements, deeds, instruments declarations and undertakings have been duly signed, sealed and delivered in proper legal form and the execution and delivery is by right number of authorized signatories as required under authorization documents and the applicable law relating to execution and delivery of documents.</p>
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#### **6. Legal validity and enforceability**

<b><u>Particulars of documents (describe each of the documents here and how they were examined)</u></b>	Deficiencies observed (describe the documents and mention the deficiency)	
	Suggestions for rectifications (document wise)	
	<b><u>Conclusion</u></b>  This is to certify that the Security Documents,	

	agreements, deeds, instruments declarations and undertakings would be treated by Courts in India as legally binding obligations of the borrower / guarantor /mortgagor and would be enforceable in accordance with its terms.
<b><u>7. Government and Regulatory approvals</u></b>	
<b><u>Documents examined</u></b>	Deficiencies observed  (describe document wise deficiency)
i. _____  ii. _____  iii. _____	
	Suggestions for rectification
	<b><u>Conclusion</u></b> This is to certify that all the approvals and authorization of governmental and other authorities have been obtained by the borrower for conduct of business, entry and performance of obligations under the security documents, agreements, deeds and instruments, declarations and undertakings.
<b><u>8. No material litigation</u></b>	

<p><b><u>Documents examined</u></b></p> <p>i. _____</p> <p>ii. _____</p> <p>iii. _____</p>	<p><b><u>Deficiencies observed:</u></b></p> <p><b><u>Suggestions for Rectifications:</u></b></p> <p><b><u>Conclusion:</u></b></p> <p>This is to certify that no material pending or threatened litigation, arbitration or regulatory or other proceedings are observed against the borrower.</p>
<p><b><u>9. Validity of Security Interest</u></b> (Mortgage, Hypothecation, charge and such other security for the loan ) <b><u>created</u></b></p>	
<p><b><u>Documents examined</u></b></p> <p>i. _____</p> <p>ii. _____</p> <p>iii. _____</p>	<p><b><u>Deficiencies observed:</u></b></p> <p><b><u>Suggestions for Rectifications:</u></b></p> <p><b><u>Conclusion:</u></b></p> <p>This is to certify that the security interest (mortgage/ hypothecation __) in favour of bank has been validly created and the security constitutes first priority security interest over the assets intended to be covered by the security as per sanction.</p>

<b><u>10. Validity of title to mortgaged / charged properties</u></b>		
<b><u>Documents of the reviewed</u></b>	Discrepancies in the title report as well as documents.	
i. _____		
ii. _____		
iii. _____		
	Suggestions	
<b><u>Conclusion</u></b> <ol style="list-style-type: none"> <li>1. This is to certify that I have examined each and every page of the documents affecting the validity of the title and do not find that transactions under the title documents sham and fictitious.</li> <li>2. This is to certify that the title to the property of the borrower is clear and marketable without any further act on the part of the borrower</li> </ol> <p style="text-align: center;"><b>OR</b></p> <p>This is to certify that the title to the property of the borrower is clear and marketable, if the following acts/ deeds are done or caused to be done: -</p> <p>i. _____</p> <p>ii. _____</p> <p>iii. _____</p>		
<b><u>11. Filings and Registration of Security Interest</u></b>		

<b><u>Documents perused and reports obtained</u></b>	Deficiency observed.	
i. _____		
ii. _____		
iii. _____		
	Suggestions	
<p><b><u>Conclusion</u></b></p> <p>This is to certify that all the filings, registrations necessary, desirable and incidental to creation and perfection of security interest stipulated under the sanction have been duly filed and registered rendering the security interest a binding and enforceable obligation on the security interest provider (borrower/ guarantor / mortgagor/ hypothecator/ pledgor etc., with constructive notice of such security interest to whom so ever it may concern.</p>		
<b><u>12. Priorities and Lenders inter se rights</u></b>		
<b><u>Documents perused and reviewed</u></b>	Deficiency observed.	
i. _____		
ii. _____		
iii. _____		
	Suggestions	
<p><b><u>Conclusion</u></b></p> <p>1. This is to certify that security interest over the property (description) in favour of the bank ranks and will rank first priority charge over all the other lenders.</p>		
<b><u>OR</u></b>		

	<p>This is to certify that security interest over the property (description) _____ created in favour of the bank under the security documents rank and will rank pari passu with the other lenders.</p> <p style="text-align: center;"><b><u>OR</u></b></p> <p>This is to certify that security interest over the property (description) _____ in favour of the bank shall be second and sub-servient to _____</p> <p style="margin-left: 40px;">2. This is to certify that the interse agreement amongst the lenders duly and correctly captures the intents and purpose of inter-se rights of the lenders as per sanction stipulations.</p> <p style="margin-left: 40px;">3.</p> <p style="margin-left: 40px;">4. This is to certify that the obligations of the borrower under the Security Documents, agreements, deeds, instruments declarations and undertakings rank and will rank pari passu with all its preset and future indebtedness and has not in any manner been subordinated by the borrower.</p>
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**Overall conclusions:**

Upon review of all the Security Documents, agreements, deeds, instruments declarations and undertakings pertaining to the obligations of the borrowers and security interest in favour of the Bank, we certify as under: -

- 1) Legal Audit has been carried out in terms of the check list provided to me / us.
- 2) Security Documents, agreements, deeds, instruments declarations and undertakings pertaining to the obligations of the borrowers and security interest in favour of the Bank have legal certainty in the sense that they create binding obligations on the borrower as well as on the assets over which security interest is created and are legally enforceable in all jurisdictions.
- 3) Legal mechanism by which the security interest is created is robust and strong and ensures/ will ensure that the Bank has the right to take possession, sell and realize in a timely manner in the event of default by the borrower / guarantor.
- 4) Under Security Documents, agreements, deeds, instruments declarations and undertakings pertaining to the obligations of the borrowers all the dues under various facilities can be duly set up as claims against the assets over which security interest is created are enforceable and recoverable by their sale.
- 5) There is nothing in the Security Documents, agreements, deeds, instruments declarations

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and undertakings pertaining to the obligations of the borrowers that would entitle the borrower to disclaim any of its obligations or set up any counter claim against the Bank

**Yours sincerely**

**Sign**

### **LEGAL AUDIT REPORT FOR RETAIL LOANS**

This is to certify that:

1. I have examined each and every page of the documents affecting the validity of the title and do not find that transactions under the title documents are sham and fictitious.
2. The property of the borrower is clear and marketable without any further act on the part of borrower.

Or

The title to the property of the borrower is clear and marketable, if the following acts/deeds are done or caused to be done:

- i. .....
- ii. .....
- iii. ....

3. All the filings, registrations necessary, desirable and incidental to creation and perfection of security interest under the sanction have been duly filled and registered, rendering the security interest a binding and enforceable obligation on the security interest provider (borrower)/guarantor/ mortagor/ hypothecator/pledger etc with constructive notice on such security interest to whom so ever it may concern.

Further, the findings of legal audit are as under:

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<b>1. Validity of title to mortgaged/charged properties</b>		
Documents of title reviewed i) .....	Discrepancies observed (if any)	
ii) .....		
iii) .....	Suggestions	
<b>2. Filings and Registration of Security Interest</b>		
Documents perused and reports obtained i)..... ii) .....	Discrepancies observed (if any)	
iii) .....	Suggestions	

Yours faithfully,

(Sign)

Name and address

#### **Checklist for Legal Audit in respect of Retail Loans.**

<b>1. Validity of title to mortgaged/charged properties</b>	
<b>Purpose of Audit</b>	<b>Checklist</b>
To ascertain and confirm that title to the mortgaged/charged properties are clear and marketable	<p>Check whether:</p> <ol style="list-style-type: none"> <li>1. Title certificate is as per the prescribed format has been obtained</li> <li>2. Title certificate reveals any discrepancy in title and how it is rectified before/after creation of EM/Mortgage</li> <li>3. Documents of title are originals and not duplicate/fake.</li> </ol>

To ascertain and confirm that there are no defects in title to mortgaged properties	<p><b>Check whether:</b></p> <ol style="list-style-type: none"> <li>1. The recitals, covenants, habendum and description of the property in the body of the documents and the scheduled answer to the description of the property mortgaged with the Bank.</li> <li>2. The title has been properly and continuously traced for a period of 30 years and is backed by title deeds of all the predecessors in title to the mortgagor</li> </ol> <p><b>And further:</b></p> <ol style="list-style-type: none"> <li>1. Obtain search report and latest non-encumbrance certificates for the mortgaged property and submit the same to the Bank.</li> <li>2. Inform the Bank of any adverse findings on the title to the property not revealed by earlier title clearance report.</li> <li>3. Suggest any remedial steps that bank should take to protect its interests.</li> </ol>
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### 3. Filings and Registration of Security interest

Purpose of Audit	Check list
To ascertain and confirm that the filing and registration of security interest is duly done and the records/registers of the relevant authorities reflect bank's security interest	<p>Check whether:</p> <ol style="list-style-type: none"> <li>1. Security interest has been filed/registered with relevant authorities, namely, <ul style="list-style-type: none"> <li>a. With CERSAI, in case of all security interest (mortgage, hypothecation, charge or any other security interest)</li> <li>b. With Sub-Registrar of Assurances, in case of EM/registered mortgage as per law in-force in the state.</li> <li>c. With Registrar of companies, in case of corporate borrower for all charges.</li> </ul> </li> </ol>

	<p>d. With revenue authorities, in case of mortgage over agricultural lands</p> <p>e. With Regional Transport Authority (RTO), in case of vehicles.</p> <p>And further,</p> <p>2. Obtain copies/extracts and annex it with the legal audit report.</p>
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#### **14. CONSORTIUM & MULTIPLE BANK FINANCING – DUE DILIGENCE & SHARING OF INFORMATION:**

- In respect of consortium /multiple lending borrowing accounts, the sanctioning power rest with Head Office committee only with suitable stipulation in their sanctions inter-alia to the effect that:
- The facilities granted by our Bank shall be intimated by the Branch to other lenders of the borrower;
- Branch to exchange information with other lender banks of the borrower in prescribed format on quarterly basis;
- Branch to obtain due diligence certificate from professional (Company Secretary or CA or Cost Accountant) as per format prescribed by RBI on regular basis, at least once in a year.
- Branch to ensure holding of consortium meeting regularly on quarterly basis, if applicable.

#### **15. Stock / Book Debts Audit:**

##### **GUIDELINES REGARDING STOCK ACCOUNTS              AUDIT OF              LARGE              BORROWAL**

###### **1. Applicability**

i) Annual Stock Audit to be carried out in respect of all borrowing accounts enjoying Fund Based & Non Fund Based (NFB) working capital limits of Rs. 100 lakhs and above from our Bank. [All NFB limits, which are being used for Working Capital Funding like LC, SBLC, BG for purchase of goods for sale and BGs for mobilization Advances are to be included within threshold limit of Rs. 100 lakhs for stock audit.]

ii) In case of borrowers enjoying fund based working capital limits less than Rs. 100 lakhs also, Stock Audit may be got done in emergent cases and/or where bank's interests demand. However, for modalities of stock audit, prior concurrence of the concerned Regional Manager be obtained.

iii) Annual Stock Audit should be compulsorily conducted in all accounts and NPA accounts enjoying fund based and non-fund based working capital limits of Rs. 100 lakhs and above.

## 2. Applicability in Case of Consortium/Multiple Banking Accounts

In case of Consortium/Multiple Financing, where the borrower is enjoying working capital limits (fund based) of less than Rs. 100 lakhs from our Bank and Rs. 100 lakhs and above in aggregate from the banking system, branches should take up with lead bank/major share-holder banks in multiple banking arrangement for getting the stock audit conducted.

In respect of consortium advances, where we are the shareholder, we may take up the matter with the Lead Bank for getting the stock audited of the borrowing account. The final decision regarding stock audit in the account shall, however, be based on the consensus amongst the member banks.

### **For disposal of Stock Audit Reports in such accounts, following guidelines must be kept in view:**

(a) In the case of consortium accounts where we are a member bank, it should be ensured that the Stock Audit observations are independently analyzed/scrutinized and taken up with the Lead Bank for discussion in the next meeting.

If the Lead Bank is not forthcoming with effective follow up action on receipt of the report, matter should be taken up with the company directly for initiating corrective measures on action points emerging from the stock audit. Regional Managers may take a view in this regard on case to case basis to safeguard bank's interest.

## 3. Panel of Stock Auditors

i) Panel shall consist of reputed firms of Chartered Accountants/ Individual CAs, who have at least 5 years' standing and at least one of the partners should be a Fellow Member of the Institute of Chartered Accountants of India (FCA)., The firm/ Individual CAs to be empanelled should have a good track record and should preferably be on the approved panel of some of the leading commercial banks. However Individual CAs/ firms against whom complaints have been registered with the CBI, Serious Fraud Investigation Cell and Court(s), and / or is blacklisted by any bank are not eligible.

ii) The panel of such stock auditors shall be approved by **General Manager, Credit** on the recommendation of Regional Manager.

The duration of empanelment shall be for a period of 3 years. Already empanelled Stock Auditors are required to apply for the empanelment again after 3 years. Application (Appendix-V) along with format of undertaking (Appendix VI) have to be submitted by the firm of Chartered Accountants/ Individual CAs for empanelment to the respective Regional Offices.

iii) If there is no competent Stock Auditor available from the region for empanelment, the Regional Office should check with nearest Regional offices and in case Stock Auditor is also not empanelled in the nearest Regional offices, then should check with nearest Branch of our sponsor Bank i.e. Bank of Baroda for availability of Stock Auditor, However all these formalities should be finalized before due date of Completion of appointment of stock auditors i.e. 30th November.

iv) ROs shall ensure that the work relating to stock audit is assigned to the firms of Chartered Accountants/Individual CAs in the panel in rotational manner i.e. assignment should not be repeated in the same account in the following year and work should be distributed in equal proportion amongst them. The Regional Manager will maintain a Register of Stock Auditors.

v) Respective Regional Manager shall issue appointment letter along with scope of audit and term of references (Appendix VII) and inform the respective branches and sanctioning authority as the case may be.

vi) The impaneled Stock Auditor on receiving appointment/allotment letter shall submit an Undertaking (Appendix VIII) and declaration of eligibility Norms (Appendix IX) to Regional Manager

vii) The panel shall be reviewed once in two years by the General Manager, Credit on the recommendation of Regional Manager (Appendix-X).

viii) In case of any adverse observations is found in performance review, the Regional Manager shall recommend to General Manager, Credit for suitable action including removal of the empanelled Stock Auditor.

ix) Removal / Depanelment:

In cases where the Stock auditor firm has been found to be indulging in unfair practices, guilty of professional misconduct, violating the code of ethics and professional practices, it shall be removed from the panel. The procedure to be followed by Regional Manager shall comprise of the following:

- a. Issuance of show cause notice.
- b. Hearing
- c. Appropriate action, including recommending for removal from the panel

The General Manager, Credit, on recommendation of the Regional Manager shall depanel / blacklist delinquent Stock auditor for the purpose of stock audit keeping in viewthe IBA's

procedural guidelines to be followed by banks for reporting Third Party Entities involved in Fraud to IBA for inclusion on the IBA Caution List.

x) Re-Empanelment:

Individual CAs/firms once removed from the panel could be re- empanelled again after a period of 3 years from the date of depanelment after giving proper justification and completing process for empanelment

xi) Regional Manager should also review the performance of stock auditors on ongoing basis and consistent delayed completion of audit/submission of audit reports should be kept in mind while reviewing the panel of auditors and/or awarding further assignments to them.

xii) The quality of stock audit reports should be analyzed on ongoing basis and appropriate action should be taken against the firms/individuals providing erroneous report, such as, reporting the name of such stock auditors to IBA/other authorities to delist/make part of caution list.

xiii) Stock Audit work be allocated to the empanelled Stock Auditors whose registered office is located at the place/city of Company's Registered Office/Factory site. If there is no competent Stock Auditor available from the same location, then the work be allocated to the Stock Auditor whose registered office is located in the nearby city (geographical vicinity).

## 5. Charges

(a) The fee for Stock/ Receivables verification by independent Chartered Accountant is as under:

WC LIMIT (FB+NFB)	FEE PAYABLE
Up to Rs 2 Cr	Rs 5,000/-
Above Rs 2 Cr upto Rs 5 Cr	Rs 10,000/-
Above Rs 5 Cr	Rs 15,000/-

(b) Regional Managers may consider payment of enhanced fee, depending upon the volume of work, number of depots, manpower employed, travelling, boarding & lodging expenses.

(c) The payment of additional fee on account of lodging charges may be made in accordance with RBI/NABARD guidelines in respect of the remuneration payable to the Statutory Central and Branch Auditors of PSUs as under:

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<b>Category of audit officials</b>	<b>Scale &amp; Designation of bank officials</b>
Partners/proprietors of audit firms (Central and Branch Audit firms)	IV -Chief Manager
Qualified Assistants	II -Manager
Unqualified Assistants	I -Officer

(d) However, the entire fee inclusive of all expenses to be incurred for stock audit of one borrower including travelling, boarding, lodging etc will not exceed Rs. 20000/-

(e) The fee payable to the stock auditors would be borne by the borrowers.

(f) While giving such assignments to the auditors, branches are to obtain concurrence of the borrowers for bearing the fee.

## **6. Time Schedule**

Maximum time taken for such audit varies from 1-2 days except in case of non-cooperation by borrowers where it may take some more time. Time frame for completion of such audit should be clearly spelt out. It should be ensured that the agency conducting Stock Audit submits its report on the format available at Appendix-I immediately after completion of audit but in no case later than 01 week of completion of audit.

The firm entrusted to conduct Stock Audit is required to submit the report regarding adequacy/condition of storage, marketability, age, insurance and creation of charge in respect of stocks, stores & spares etc. as per format given in Appendix-I.

## **7. Scrutiny of Stock Audit Reports / MIS**

a. Stock Audit Reports be scrutinized /put up to:

(i) Regional Manager (in case of accounts sanctioned up to RMCC).

(ii) GM Credit Division / Chairman (in case of HO sanctions HOCC-I/HOCC-II/HOCC-III/Board Sanction) and Recovery Division /(in case of NPA accounts falling under HO power).

The observations/deficiencies pointed out by the Stock Auditors should be removed/rectified maximum within 60 days. In order to have effective monitoring, the reasons for non-closure of stock audit reports, if outstanding for more than 60 days, should be reported under remarks

column of "Stock Audit Report" which is provided at Appendix-II. The periodicity of submission of the same to Credit, HO is quarterly.

b. BOs/ROs are advised to submit information of eligible accounts that have not been stock audited as per Appendix-III on quarterly basis along with Quarterly report as per Appendix-II.

c. Closure of stock audit reports, after rectification of the observations/ deficiencies pointed out by the Stock Auditors be put up to RMCC (in case of accounts sanctioned within vested powers of Regional Office) and GM Credit Division/Chairman, HO (in case of HOCC-I/HOCC-II/HOCC-III and Board sanctions) and to GM Recovery Division, HO in case of NPA Accounts under HO sanctions as per the prescribed periodicity provided at Appendix-IV.

Further, ROs to submit status of closure of the stock audit reports to Credit Division, HO within 15/30 days from the close of quarter/financial year as provided at Appendix-IV.

The MIS as above would facilitate/ensure conduct of stock audit /closure of stock audit reports in all eligible accounts.

#### **8. Frequency of conducting Stock Audit in NPA Accounts**

i) Immediately after an account gets classified as NPA and normal cooling period of 3 months for up-gradation/rectification of default is over, Stock Audit be made mandatory within next 3 months.

ii) After the 1st Stock Audit during the first year of NPA, subsequent annual Stock Audits should also be carried out as usual, till such time the Stock Audit Reports show substantial depletion in value of Stock/Book Debts.

iii) When substantial depletions in the value of Stocks/Book Debts is noticed, the decision for not conducting Stock Audit subsequently, should be got approved from the NPA Monitoring Authority of the said account.

#### **9. Miscellaneous**

Stock audit shall not be a substitute for regular stock inspection. However, in respect of accounts where Stock Audit is got done, the periodicity of stock inspection by the Branch Heads may be made on quarterly basis as in some large borrowing accounts monthly verification of stock is not possible.

(a) Stock Audit exercise may be staggered throughout the year so that whole process is completed by 31st December every year so as to make the report available in the succeeding

months of January/February/ March, which will help the Bank to take an appropriate view while finalizing the accounts.

(b) Time schedule for completion of stock audit every year is as under:

S. No.	Activity	Time schedule
1.	Completion of the process of appointment of stock auditors	30 <sup>th</sup> November
2.	Completion of stock audit and submission of the report	31 <sup>st</sup> December
3.	Compliance of the observations of the stock audit report and its closure	31 <sup>st</sup> January of Succeeding Year

(c) In order to safeguard bank's interest and to take an appropriate view in large borrowing accounts, it is to be ensured that stock audits in all eligible cases are conducted strictly and the position of Stock Audit in all eligible cases be submitted within 15/30 days from the close of the Quarter/Financial Year to Credit Department, HO on the format available at Appendix-III.

(d) Branches should take up with the borrowing companies to provide all clarifications to stock audit firms during the course of stock audit itself to reckon such clarifications/explanations while finalizing the report.

(e) During the course of stock audit, auditors while checking evaluation of debtors (receivables) may seek confirmation, if felt necessary, from the borrower's debtors with the consent of the concerned borrower.

#### **10. Guidelines on stocks depicted in the Balance sheet of Borrower and the Inventory submitted to the Bank for the common date:**

The value of stocks depicted in the balance sheet of a borrowing account and the inventory submitted to the Bank for the common date sometimes differs despite the physical quantity being the same. One of the reasons for such variance is the method adopted for valuation of the stocks for the purpose of the balance sheet and the inventory submitted to the bank is different.

As regards inventory submitted to the bank, the valuation of the stock is done in terms of the sanctions e.g. raw material being valued at cost, work in progress either at raw material price or cost of production etc. However, in case of the company, the stocks are required to be valued by any method and it may not be the same as adopted for submission of the inventory to the bank, they have to comply with the following two conditions: -

1. The method of valuation has to be disclosed in the balance sheet.

2. The valuation has to be done consistently by the same method every year.

Besides, there may also be difference in valuation even when similar method is being adopted for inventories submitted to both the bank/balance sheet. To give an example, the stocks may be valued at cost or market price whichever is lower. Cost may differ for Balance Sheet/Inventory in Bank as the borrowers may adopt either average cost, Last in first out (LIFO), First in First out (FIFO) method etc. Further, the "cost" may itself include specified overheads. The inventory to the bank is normally excluding marketing/selling costs but, invariably for balance sheet, the borrowers include in "cost" the selling and distribution overheads. In case of market value, the same may differ as it may be replacement cost or realizable value.

Therefore, branches should prepare reconciliation for the variance in the stock's value on the date of balance sheet and inventory submitted to the bank for common date and keep it on record.

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## **16. TAKE OVER OF LOANS:**

Takeover of high quality loans and advances from other banks/FIs/ NBFCs, in compliance with RBI and MoF guidelines for this purpose is one of the ways for the Bank to grow its credit portfolio. The following set of norms / guidelines shall be followed in this regard:

### **16.1 Definition of Takeover of Borrowal Accounts:**

- a) In the case of sole banking, where the Bank takes over an account from another bank or financial institution/s and replaces it.
- b) In the case of multiple banking, where the Bank takes over the share of another bank and replaces the said bank.
- c) In the case of consortium accounts, where the Bank replaces an existing member of a consortium by taking over its share.

### **16.2 General guidelines for takeover of Loan accounts.**

1. Accounts with existing lenders should be under the category of "Standard Assets" and should not have been classified under SMA 1 / SMA 2 during the last one year as per the latest CIBIL report.
2. Securities to be revalued at the time of takeover of account as per the extant guidelines.
3. There should not have been any rescheduling / restructuring in the account during last two

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years.

4. Credit Rating should not be less than “B”.

### **16.3 Takeover of Corporate & MSME (Regulatory & Expanded definition) Accounts:**

Non-Financial Guidelines:

- I. The specific reasons for shifting the account from financial institution / other bank to the Bank should be ascertained.
- II. Accounts of profit making (i.e. net profit before tax) concerns as per last two audited balance sheets should only be considered
- III. Before taking over, Bank should obtain necessary credit information from the transferor bank as per the format prescribed on “Lending under Consortium Arrangement/Multiple Banking Arrangements” and / or Latest statement of account of the existing banks for preceding 6/12 months is to be obtained and verified to assess the quality of operations with the existing bankers.
- IV. Besides obtaining Credit Report from the existing lenders, Branches to make discrete inquiries with people in the similar line of activity / buyers / suppliers and their view about the prospective borrower's credentials, financial soundness, integrity, reputation and capability (amount proposed to be taken over) must be obtained. A confirmation to this effect must form a part of comments in the takeover proposals.
- V. As a general policy, takeover should be at the existing exposure level only. However, the additional exposure at the time of takeover can be considered on merit of case.
- VI. External Rating in respect of credit proposal with exposure above Rs.5.00 crores by approved credit rating agencies should not be below BBB & equivalent.
- VII. Concessionary facilities to “Taken over Accounts” should be extended only in extremely deserving cases with specific reasons recorded in writing.
- VIII. There should be tangible security available to cover the advances to be taken over and the underlying assets should be distinctly identifiable.
- IX. For Term Loan / Project Finance, the project should not be in the implementation phase at the time of takeover of the loan. In other words, it should have commenced commercial production. The remaining repayment period shall not be extended beyond the original repayment period permitted by the erstwhile lender, as it amounts to restructuring of account. However, this provision will not be applicable in respect of refinance of loans as allowed by the RBI.
- X. Take over accounts are to be rated not less than “B”.

#### **16.4 Authority for deviations under non-financial aspects:**

Norms for deviations/concessions to be allowed & authority:		
Chairman	General Manager	Regional Manager
Authority for deviation in <b>Point No I &amp; X of above</b>	No Authority.	No Authority.

#### **Financial norms in case of takeover of SME accounts as per regulatory guidelines:**

<b>Ratios</b>	<b>Norms</b>		<b>Authority for deviation</b>
	<b>1</b>	<b>2</b>	
	Micro & Small Industries under Manufacturing sector and service Sector as per regulatory guidelines	Medium Enterprises under manufacturing sector and service Sector as per regulatory guidelines	<b>Chairman only</b>
Current Ratio	Minimum 1.17 & above	Minimum 1.20 & above	-do-
Debt Equity Ratio (TTL / TNW)	Maximum 4:1	Maximum 3:1	-do-
Total outside liability/ TNW	Maximum 4:1	Maximum 4:1	-do-
Average DSCR for Term Loan	Minimum 1.50 with a condition that in any one year it should not be below 1.25	Minimum 1.50 with a condition that in any one year it should not be below 1.25	-do-

#### **16.5 Takeover of Retail Loan Accounts**

The Bank can take over accounts from other banks / HFCs/ NBFCs/ FIs etc. keeping in view the foremost objective of canvassing only good quality accounts

1. Good Retail Loan accounts from other Banks / HF Cs / NBFCs/ FIs etc. can be taken over, observing our Bank's Retail Loan guidelines in respect of income criteria, repayment capacity, margin / LTV norms, CIBIL score validations.

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2. After considering income, repayment capacity and age of applicant /co applicant, fresh repayment period & EMI may be fixed within our Bank's guidelines for respective Retail Loan products.

3. Additional funds as per requirements may also be considered [i.e, extension/additional construction under Home Loan and/or Home Improvement Loan and/or Top up Loan etc.], as per norms, along with takeover.

**16.6 Detailed Takeover guidelines for Retail Loans are as under:**

1. In case of takeover of Retail Loan accounts from other banks falls under DLP of Chief Managers and above no prior clearance is required from Regional/Head Office.

2. However, branches need to observe the following safeguards in respect of such takeover of accounts:

a) Accounts should be taken over in consideration / possibility of larger business interests / profitability/ valuable connections.

b) While taking over loans from other banks / HFCs / NBFCs/ FIs etc., branches should ensure the minimum stipulated margin and LTV Ratio on the value of property wherever applicable as per the scheme is available.

c) The amount of loan may include the outstanding balance, foreclosure fee payable, if any, to the current lender bank, and stamp duty for creation of equitable mortgage in the Bank's favour subject to margin, income and repaying capacity criteria, Loan to Value (LTV) ratio etc.

d) Repayment period and EMI may be fixed, keeping in view our Bank's guidelines in respect of income and repaying capacity of the applicant, LTV/margin norms and considering the age of borrower/co borrower.

e) Fresh valuation of property to be obtained from our approved Valuer and margin and LTV Ratio as stipulated to be ensured.

f) The valuation norms that in case of Property purchased within last 3 years, the amount of Registered Sale Deed is to be taken as value of the Property is not applicable for takeover Home Loans.

g) In case of takeover of Home Loan accounts, market value of the property is to be considered while arriving at the eligibility. For all other retail loans, realisable value of the property is to be considered.

h) All the collateral securities charged / guarantees provided/ existing co applicants available to the previous lender institution from whom the loan is being taken over should also be made

available as security to the Bank. However, the condition of securing the loan with the same collateral securities / guarantees provided/ existing co applicants may be waived by sanctioning authority subject to fulfilment of respective scheme guidelines.

- i) The foreclosure letter of the existing Loan & List of documents in respect of property mortgaged to the existing financier (bank/ HFC/ NBFCs etc), to be obtained from the customer at the time of submission of application. However, in the case of takeover of Home Loans, foreclosure letter and list of property related documents from the existing financier should be insisted as a pre-disbursement condition instead of being a pre-processing/sanctioning condition.
- j) The disbursement of the loan should be made directly to the bank/HFC/NBFC concerned and their receipt be kept along with the loan documents. Under no circumstances, the loan disbursement should be made to the borrower.
- k) Takeover accounts are to be rated as per the applicable scoring model and the taking over will be subject to the minimum grade as per the scoring model.
- l) The prospective borrower should handover a Power of Attorney in favour of the Bank along with a letter addressed to the bank / HFCs from where finance was availed previously authorizing them to deliver the title deeds and all the collateral securities charged to them, directly to the Branch upon receipt of the loan amount.
- m) In case takeover of Retail Loans, advocates can provide TCR/ Legal opinion based on the photo copies of the Title Deeds, supported by its Certified Copies. Authenticity of original Title Deeds is required to be ascertained immediately upon the receipt of the original documents from existing lenders subsequent to the taking over of the account and disbursement of loan.
- n) In some of the States, the equitable mortgage, after being created, is also required to be registered before the Sub registrar's office as per the amendments brought in to Registration Act by them. In such cases after obtaining the original title documents from the banks / HFCs / NBFCs/ FIs etc. from where the account is being taken over, Branches must ensure that the borrower/ mortgagor has discharged/ released the charge created over the properties by the previous banks / HFCs / NBFCs/ FIs etc. by executing/ registering necessary documents with registering authorities before creation of fresh equitable mortgage favoring the Bank and that the equitable mortgage created in the Bank's favor is also registered.
- o) All other extant norms, guidelines as applicable to borrowing accounts, as per the specified scheme, are required to be followed.
- p) Satisfactory report from the existing bank/FI and/or satisfactory conduct of account as per latest statement of accounts to be verified.
- q) Takeover of loans against properties under construction entails higher risk. Hence, it is

advisable that property construction should be completed and mortgage should be created with existing lender prior to take over. However in deserving cases decision of accepting under construction property may be accepted as a non-financial deviation on merits, subject to:

1. Map /plan is approved by appropriate authority & construction as per original/approved plan and schedule
2. Project is registered under RERA and RERA guidelines is complied
3. All statutory dues are paid including payment to development authority/allotment authority.
4. Loan will be sanctioned under Normal Home Loan scheme

#### **16.7 Takeover of Agriculture Finance:**

Non-Financial norms (for borrowers preparing financial statements/records):

- a) Profit making (i.e. net profit before tax) concerns only as per last audited Balance Sheet.
- b) Accounts be rated as per the applicable rating model subject to 'minimum' B+.
- c) Accounts with existing lenders should be under the category of "Standard Assets".
- d) Satisfactory report from the existing bank/FI and/or satisfactory conduct of account as per latest statement of accounts to be ensured. In addition, account should not be reported as SMA 1 / SMA 2 during last 12 months
- e) There should not have been any rescheduling / restructuring in the account during last two years.
- f) In case of machinery takeover, age of machinery should not be more than 3 years old. Also valuation of machinery should be done from authorized valuer.
- g) All other existing norms, guidelines as applicable to borrowing accounts are to be scrupulously followed.

#### **Financial (other than Retail & SME):**

Current Ratio	Min. 1.33
TOL/Equity(TOL/TNW)	Max. 2:1
Debt Equity Ratio (TTL/TNW)	Max. 2:1
Debt Service Coverage Ratio	Min. 1.50 in case of term loan

#### **Authority for deviations under financial aspects for take over loans:**

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<b>Norms for deviations/concessions to be allowed &amp; authority</b>			
<b>Ratio</b>	<b>Chairman</b>	<b>General Manager</b>	<b>Regional Manager</b>
Current Ratio	Min. up to 1.20	No authority	No authority
TOL/Equity(TOL/TNW)	Max. up to 3:1	-do-	-do-
Debt Equity Ratio (TTL/TNW)	Max. up to 3:1	-do-	-do-
Debt Service Coverage Ratio	Min. up to 1.60	-do-	-do-

#### **16.8 Authority for Take Over:**

Proposals falling under DLP of Scale-III and below, prior clearance from the higher authorities i.e. Regional Manager is required.

Proposals' falling under DLP of Chief Managers and above, no prior clearance from higher authorities is required.

All Branches are mandatorily required to submit the status of Takeover Loans in prescribed format on quarterly basis to their Regional Office, thereafter Regional Office will submit the same to their Head Office for onward submission to Head Office.

#### **17. Credit Risk Management:**

Credit Risk philosophy emphasises improving credit delivery system upon full compliance of laid down norms and guidelines.

Bank has set-up Risk Management & Compliance Department to optimize & mitigate various risks involved in credit dispensation.

#### **18. Priority Sector Lending Certificate (PSLC):**

To enable Bank to earn more income, in the event of surplus over priority sector lending targets/sub targets, bank may sell "Priority Sector Lending Certificates (PSLC)" to the Schedule Commercial Banks, Regional Rural Banks, Local Area Banks, Small Finance Banks and Urban Co-operative banks traded through RBI's CBS Portal (e-kuber). PSLCs are of 4 types counting for achievement towards Agriculture, Small/ Medium Farmer, Micro Enterprise and General (overall PS targets).

- PSLC can be issued up to 50% of previous year's PSL achievement without having underlying in its Books. However, as on the reporting date, the Bank must have met the priority sector target, net of PSLC purchased/issued. The lot size is Rs. 25 lacs and multiples thereof.
- There will be no transfer of credit risk on the underlying as the tangible assets are not transferred.
- The validity of PSLC will be March 31st every year and will not be valid beyond the reporting date (31st March).

- The fee payable / receivable is market determined.

**The Investment Committee will be authorized to take decision of PSLCs based on surplus available provided all terms of issuance of PSLC complied with.**

**Bank may issue PSLC subject to meeting respective sector/sub sector targets and having minimum surplus of 2%.**

## **19. GENERAL:**

- The Bank would refrain from interference in the affairs of the borrower except for what is provided in the terms and conditions of loan sanction documents (unless new information, not earlier disclosed by the borrower, has come to the notice of the Bank as lender). However this does not imply that Bank's right of recovery and enforcement of securities under Law is affected by this commitment.
- Bank will not discriminate on the grounds of gender, caste or religion in its lending policy and activity.
- **In case of recovery, Bank would resort to the usual measures as per laid down guidelines of RBI/NABARD/Bank and extant provisions and would operate within the legal framework & "Recovery Policy" of the Bank.**

### **19.1 COMPLAINTS:**

In case of any complaint / grievance, the applicant / borrowers will have to inform in writing/e-mail to the concerned branch/RO/HO. The Branch Officials shall immediately take up the matter for redressal.

### **19.2 REDRESSAL:**

In case of complaints received, the branch would report the matter with full details generally within 07 days from date of receipt to **Regional Office**, who would take all necessary steps to redress and resolve the grievance / dispute, generally within a period of 15 days.

## **20. Conclusion:**

The subject Loan Policy Document is an endeavor of the bank to fine-tune its lending policy from time to time in light of developments in the market and also as per the guidance from Government of India and NABARD. Bank considers that an integrated credit culture duly backed by skilled staff at various levels would be the guide-post for high-quality credit portfolio. In evolving the policy structure bank has also taken into account the financial needs and growth prospects of emerging business sectors.

In implementation of this policy document, bank places enormous focus in the skill development of its staff at various levels in order that its credit delivery system acts as a conduit-pipe for not only the growth of quality loan assets of the bank, but also meet fully the need-based genuine financial requirements of various sectors in the economy.

**21. SUN SET CLAUSE:** The policy shall be valid for one year. The Chairman may allow continuation of the Policy for a maximum period of six months from the due date of review in case the policy cannot be reviewed on or before due date.

Any change made by the Govt. of India/ RBI/ NABARD/Board of Directors of the Bank from time to time shall form integral part of the policy with immediate effect and it shall be treated modified to the extent.

## **Annexure I**

### **MORTGAGE BY DEPOSIT OF TITLE DEEDS**

#### **INDEX**

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4	MEMORANDUM OF ENTRY
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6	PRIORITY OF MORTGAGE BY DEPOSIT OF TITLE DEEDS
7	MORTGAGE FROM GUARANTOR
8	PRECAUTION FOR CREATION OF MORTGAGE
9	PRECAUTION FOR SAFE CUSTODY OF ORIGINAL SECURITY DOCUMENTS AND TITLE DEEDS

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## **1. CREATION OF MORTGAGE BY DEPOSIT OF TITLE DEEDS**

### **1.1 Practice and Procedure:**

- a. Deposit of all the material Title -Deeds by the mortgagor to the Bank at the Notified Place.
- b. Recording the act of Deposit of Title-Deeds by way of a Memorandum of Deposit of Title Deeds to show the intention to create security by way of mortgage for particular advance or advances.
- c. Obtaining confirmation letter from the mortgagor regarding such deposit of title deeds.
- d. Registering the memorandum of deposit, in cases when such registration is required.

### **1.2 Delivery of Title-Deeds:**

(a) There should be delivery of all the material and relevant title deeds relating to the property, by the mortgagor/s to the Branch Manager of the Bank, who will be acting for and on behalf of the Bank.

(b) The delivery of the title deeds should be made by the authorised persons, who have the right and the capacity to create such mortgage. This depends on the type of the borrower or guarantor, as shown below:

- (i) Individual Property: By the individual owner of the Property.
- (ii) Joint Property: By all the Joint owners, jointly. (Mortgage created on undivided Portion of property without the concurrence of other Joint owners is not a valid mortgage).
- (iii) HUF Property: By the Karta and all major co-parceners of HUF.
- (iv) Partnership Property: By all the partners of the firm. There is no implied authority of one or more partners to transfer immovable property of the firm.
- (v) Trust Property: By all the trustees jointly, provided there is no prohibition under the Trust Deed.
- (vi) Society's Property: By the Chairman and Secretary or such other office-bearer/s who are duly authorised to effect delivery of title deeds to the Bank to create equitable mortgage under the proper Resolutions of the Managing Committee/ General Body of the Society as may be permitted under the Society's Bye - laws.
- (viii) By the Agents or Attorneys of the Mortgagor: -->

The Agents, who have the authority to manage the affairs of the principal or who have authority to operate his deposit accounts do not get the authority to create mortgage of the property of the principal. Hence, creation of mortgage by the Agent or Attorney should be discouraged. But for any good reason, if it is felt necessary, the powers of the Attorney should be carefully verified. For effecting transfer or property, or mortgaging the property, the Attorney should have been granted specific powers clearly authorising him to create mortgage over the property of the principal and for that purpose, to deposit the title deeds relating to the property of the principal and to execute Memorandum of Deposit or the Mortgage Deed on behalf of the Principal and to admit execution

and registration of the mortgage etc. It is advisable to have the authority vested in the Attorney verified by the Bank's lawyer.

### **1.3 What are Title Deeds/ Documents of title:**

(a) Title deeds mean the documents relating to the property and which are material evidence of title. The documents must not only relate to the property but must also be such as to show *prima facie* title of the mortgagor.

(b) Mortgage by deposit of title deeds is created by deposit of only ORIGINAL title-deeds, such as Sale Deed, Conveyance Deed, Lease Deed, Gift Deed, Trust Deed, Will, Sale Certificate, Share Certificate or Membership Certificate with Allotment Letter in case of Society or Non-Trading Association etc.)

(c) Copies of these material deeds/ documents are not the title deeds and should not be accepted in normal course. It is only when, any of the original documents has been lost and not traceable, its certified copy is to be accepted, provided there are some other previous Original documents. An Affidavit of the party affirming that despite his best efforts, the original document is not traceable and has been lost permanently should be obtained along with a suitably worded Indemnity. It is advisable/to, have such Affidavit and Indemnity got drafted by Bank's Lawyer Mortgage created on the basis of fabricated documents/ copies of documents/ incomplete chain of titles is not a valid and enforceable mortagee.

(d) Agreements for sale or for Lease are not Title Deeds. The copies of the Government or Revenue Records are also not the documents of title.

(e) Mortgage of agriculture land to secure non - agriculture advance requires permission of the Land Revenue Authorities and encumbrance should be got noted in the land records. For any activity other than agriculture on agricultural land, conversion of agriculture land into non - agriculture usage is must.

(f) For obtaining mortgage of immovable properties situated at Daman/Silvassa, prior permission of Collector of Daman/Silvassa is required as per the provisions of Daman Abolition of Proprietorship of Village Regulation, 1962. Branches are advised to obtain such mortgages in consultation with and after obtaining title report from local advocate on Bank's panel.

### **1.4 Places where it can be created:**

(a) A mortgage by deposit of title deeds can be created only at the places which are notified by the State Government for purpose, from time to time. A list of such notified places will be available from the Government Gazette.

(b) It is not necessary that the property should be located in such notified place. Such mortgage can be created in respect of property which is located at any place. But the deposit of title deeds MUST be made only at a notified place.

### **1.5 Title deeds to be received from another Bank/ Institution:**

(a) Sometimes, the title deeds are deposited by the borrower with another Bank or Institution and the borrower requests to accept delivery of his title deeds on payment of the amount due to such

other Bank or Institution. This can be done after making the payment, if the title deeds are taken delivery of by the subsequent mortgagee from the previous mortgagee, the legal requirements of the mortgage is considered to be complied with.

(b) The following procedure may be followed:

(i) The investigation of the borrower's title should be done by the Bank's lawyer by carrying out inspection of the title deeds lying with another Bank/ Institution and also by carrying out independent search in the revenue and other records.

(ii) A confirmation, in writing, is obtained from that Bank/ Institution agreeing to deliver all the title deeds to the Bank, on payment being made to it. The exact amount of the dues payable to such other Bank / institution should be ascertained.

(iii) An authority letter signed by the borrower should be obtained authorising the Bank's official to take delivery of all the title deeds on behalf of the borrower.

(iv) The payment to the other Bank/ Institution is to be made directly against receipt of all the title deeds.

(v) Then, deposit of title-deeds will have the recorded following the laid down procedure for recording creation of mortgage by deposit of title deeds.

## **2. MEMORANDUM OF DEPOSIT OF TITLE DEEDS:**

2.1 Such Memorandum records the fact of the mortgagor/s (stating their names) delivering the title deeds to the Bank with an intent to create a mortgage on his/ their property (which is described) as security for the repayment of the advances (giving nature of facilities, amount, rate of interest, etc.) granted by the Bank to him/ them.

2.2 Such Memorandum contains two Schedules. One Schedule shall give full details of the mortgaged property. The other Schedule gives a list describing the title deeds which are deposited.

2.3 All the particulars such as, the names of the persons attending the branch and depositing the title deeds, the date of such deposit, amount/s of limit/s to be covered under the mortgage security etc., are required to be duly filled in.

2.4 The Schedules should be correctly completed. All the title deeds which are deposited should be included in the List of Title deeds. In the Schedule of mortgaged property, full description and details with boundaries should be described so as to give proper identification of such property.

### **2.5 Description of Property:**

a. A mortgage is a transfer of interest in a specific immovable property. Hence, great care should be taken to ensure that full and correct description of the property mortgaged is given such as, Revenue Survey Number, Plot Number, House/ Tenement Number, Location or Number of Road/Street, Area, Village, Taluka, District, etc., giving the particulars of the boundaries.

b. If the description of property is too general or vague, it could lead to difficulties at the time of enforcement of mortgage.

c.If the property is wrongly described, it would mean taking a mortgage of some other property, not belonging to the mortgagor. In that case, the Bank may not be in a position to execute the mortgage decree even when it is obtained against the party.

2.6 Stamping of Memorandum: -

a. Any instrument evidencing an Agreement or Memorandum of Agreement relating to the deposit of title deeds, attracts stamp duty under Article 6 of the Indian Stamp Act and under the corresponding Article in the Schedule of the Local/ State Stamp Law. Hence, the Memorandum should be got stamped accordingly.

b. Normally, the Stamp duty for a Memorandum of Deposit of Title deeds is comparatively less than the stamp duty prescribed for a Mortgage Deed.

c. However, it may be noted that in order that such Memorandum is considered as an Agreement relating to deposit of title deeds should merely contain the bargain between the parties in relation to deposit of title deeds and conditions ancillary to such deposit. If it contains all the provisions which contain the contract between the parties which are normally found in a Mortgage Deed, then it would not make it an 'Agreement for deposit of Title Deeds'.

d. Mortgage by deposit of title deeds can be created at any notified place only.

### **3. REGISTRATION OF MEMORANDUM OF DEPOSIT OF TITLE – DEEDS:**

3.1 In terms of Section 59 of the Transfer of Property Act, 1882, a mortgage by deposit of title deeds is exempt from Registration. The registration is not required when:

a) Where the transaction of deposit of title deeds is made by way of entry in the Bank's books to record creation of mortgage security on the property and signed by a Bank's official and intention of such recording is simply to recite the past fact of deposit of title deeds by the mortgagor to create security on his property, or

b) Where the transaction is recorded in a Memorandum of Deposit and such Memorandum states that the title deeds have already been delivered to the bank with intention to create security by way of mortgage and such memorandum is merely a recital or record of such deposit, or

c) Where by a Memorandum, the parties do not intend to create a charge by its execution but it is merely a record of transaction which has already been created, even though it contains undertaking to execute legal mortgage and assurances that the property is free from encumbrances.

3.2 However, under Section 17(1)(b) of The Registration Act, any instrument which operates to create or declare any right, title or interest of the value of ₹100 and more to or in immovable property situated in a district covered by the Act requires registration. The Registration is required when;

a. the Memorandum indicates that the parties intend to reduce the bargain regarding the deposit of title deeds in the form of document, and / or

b. the Memorandum is accompanied by the deposit of title deeds and it contains the terms and conditions of the mortgage and evidences the transaction, and/ or

c. the Memorandum or the letter signed by the mortgagor states that the title deeds are being deposited with the bank for the purpose of creating mortgage thereof and includes the terms and conditions of the mortgage.

**CARE TO BE TAKEN:**

In the light of the above aspects, care should be taken to ensure that the Memorandum of Deposit of Title Deeds is such that it does not require registration under the Registration Act. If the Memorandum is such which requires registration and is not registered, the mortgage is ineffective and not admissible in evidence in the court of law. However, in those states where the registration of Memorandum of Deposit of Title Deeds is made mandatory, the branches should ensure the registration of the same within the prescribed time limit.

**4. MEMORANDUM OF ENTRY.**

a)The Memorandum of Entry is recorded accepting deposit of title deeds not on the same day on which mortgage by deposit of title deeds was created but on any day subsequent thereto, preferably the next day. This is done with a view to establish that entry is simply a recital of earlier transaction.

b)In the Memorandum of Entry, the time, date and place of deposit of title deeds are clearly recorded and it is dated on a subsequent day.

c)The Entry is signed only by the authorised official of the Bank, who has accepted the deposit of title deeds and witnessed by one or more witnesses.

d)No signature of the Mortgagor is taken on the Memorandum of Entry.

e)The Entry records that the mortgagor/s had deposited the title deeds with intent to create mortgage on the property (description is given) in favour of the Bank, as security for the advances (facilities, limits, rates of interest, etc., are described) granted by the Bank to the borrower/s. It also contains declaration that the property is absolutely owned by him and that he has clear marketable title; that there is no charge, lien, encumbrance, attachment etc., on the property; that the mortgage shall be the continuing security for the advances.

f)Such entry serially numbered is generally made in handwriting in a bound Register with pages serially numbered. It should never be in loose leaf form. The list of the title deeds and the Schedule of Property over which mortgage is created should be written as part of such Entry. Whenever a Confirmation Letter is obtained, it should not be on the same date but should be on the next day of the Date of Entry.

g) The record of Entry of deposit of Title deeds thus made in the Bank's books is admissible in evidence in the court of law as primary evidence of transaction under Section 4 of the Banker's Book Evidence Act.

## **5. NO PARTING OF TITLE DEEDS**

a. At no point of time during the continuance of mortgage the title deeds or any of the title deeds should be parted with or delivered to the mortgagor or his representative. The parting of title deeds even for a temporary period may create complications affecting the continuity of the mortgage. Section 78 of the Transfer of Property Act states that where through the fraud, misrepresentation or gross neglect of a prior mortgagee, another person has been induced to advance money on the security of already mortgaged property, the prior mortgagee shall be postponed to such subsequent mortgagee.

b. In the event of inspection of title deeds is requested, it may be allowed to be done in the presence of a Bank's official at the Bank premises only.

c. The title deeds should be kept in a separate file in a fire proof under the dual control of responsible officials.

## **6. PRIORITY OF MORTGAGE BY DEPOSIT OF TITLE DEEDS:**

a. A validly created mortgage by deposit of title deeds shall stand on the same footing and has the same legal force as that of any other form of mortgage. Therefore, a mortgage created by deposit of title deeds at a prior date shall have priority over any other mortgage executed at a later date.

b. As per Section 48 of the Registration Act, a mortgage by deposit of title deeds shall take effect against any mortgage deeds subsequently registered though relating to the property.

## **7. MORTGAGE FROM A GUARANTOR:**

a. Under section 58 of the Transfer of Property Act, a mortgage can be for the purpose of securing the payment of money advanced or to be advanced by way of loan or for any existing or future debt or for the performance of an agreement which may give rise to a pecuniary liability. Thus, a mortgage can be created by a guarantor to any advance on his property.

b. The procedure for creating a mortgage of the guarantor's property will be the same as in case of creating a mortgage of the borrower's property, except that the relative recital in the Memorandum of Deposit of Title deeds or in the Memorandum of Entry will mention the name of the guarantor as mortgagor depositing the title deeds for the facilities sanctioned to the borrower whose name will appear at appropriate place along with the facilities.

c. The third party mortgage can only be from a guarantor.

## **8. PRECAUTIONS FOR CREATION OF MORTGAGE:**

Following steps are to be followed for creation of valid and enforceable mortgage:

- a. Before creation of a mortgage by deposit of title deeds, branches to ensure that the title deeds are verified and report on title obtained from Advocate on the panel after they conduct searches in the appropriate records of the Sub -Registrar of Assurance and Revenue/ Municipal records, upto the nearest date of creation of mortgage. The advocate to certify that the title deeds relating to concerned property are original, duly stamped and wherever required duly registered and title is clear, marketable and free from encumbrances.
- b. Branches to insist on opening of bank account as per 'KYC' norms by owners of the property who offer the same as mortgage security against the loan given to third parties. Copies of House Tax receipts/ Electricity Bills etc. are to be obtained as proof of possession/ residence.
- c. In case property proposed to be mortgaged is under tenancy / leased to a third party, the same will reduce the marketability and value thereof. It is necessary to take this aspect into consideration while accepting such property as security.
- d. Branches to maintain attendance register or a separate attendance note of the mortgagors as per specimen format Annexure 'A' recording, name of the persons having attended the Bank's branch and having created the mortgage by deposit of title deeds, which should be signed by the depositor/s and Bank's official present at such time. Also a photograph of the mortgagor/s or his/ their duly authorized representatives who is/are authorized to deposit title deeds, duly signed by him across the photograph should be obtained and affixed on the Memorandum recording deposit of title deeds.
- e. A letter of confirmation as per LDOC – 32/37/38 as the circumstances may demand), be obtained from the 'depositor/ owner of the property mortgaged (duly worded depending whether the depositor/ owner is an individual or a firm or a company).
- f. Branch to write a Registered A.D. Letter to the depositor/ owner confirming mortgage having been created by the owner on specified day. It must also be ensured that acknowledgment thereof is received and is preserved and kept with the Memorandum of Entry or with other original security documents.
- g. The letter of cost should be obtained from the borrower/ guarantor who has mortgaged the property to enable the Bank to ask for costs, charges, fees, and expenses as may be incurred by the Bank in this behalf.
- h. A declaration in the form of an affidavit should be obtained from the mortgagor/ owner that the property to be mortgaged is free from encumbrances of any sort and that no suit is pending and that there is no attachment etc., on the said property and that no transfer of any right, title and interest including by way of lease or tenancy will be created without prior written consent of the Bank.

- i. When the advance is granted against the security of a mortgage by deposit of title deeds and subsequently required to be converted into an English Mortgage an irrevocable Power of Attorney as per LDOC- 66 should be obtained.
- j. Branches to accept complete chain of titles in original along with the other documents as advised by the advocates in their search report to the branch.
- k. In case of lease - hold property, prior written consent of the lessor for creation of mortgage should be obtained. It is advisable to avoid privately leased property, more particularly, if for lease less than -30- years. In all cases, the term of lease deed also needs to be perused to ensure that there is no clause adversely affecting Bank's interest.
- l. Mortgage on the strength of share certificate of housing society requires consent of society. Our Bank's lien is to be noted in the society's records. A search report of titles to the land whereon the flats are constructed must be taken on Bank's record.
- m. Under Section 281 of the Income Tax Act, 1961, a consent should be obtained before creation of the mortgage from the concerned Income Tax Authorities. If such consent is not forthcoming for any reason whatsoever, the borrower/ guarantor should get his auditor's certificate to the effect that as on date of creation of mortgage there is no tax demand/ arrears pending for payment.
- n. A notice should be addressed to the concerned land Revenue Authority like Talati/ Tehsildar/ Mamlatdar informing about the creation of mortgage in Bank's favour and requesting him to note the Bank's charge in the record of rights and to send a copy thereof to the branch which when received should be kept along with the documents.
- o. Whenever the property belongs to a Company who may either be, a borrower or a guarantor, charge on property should be recorded in the records of Registrar of Companies in whose jurisdiction the Registered office of the Company is situated. Moreover, if a company acquires a property which is already subject to charge of any other bank/ institution then such acquisition should be registered within -30- days with the Registrar of Companies.
- p. For obtaining charge on property of a company, which is created, in its capacity as guarantor to an advance, then the requisite formalities for execution of guarantee, creation of mortgage, registration of charge etc. as per the relevant provisions of the Companies Act. must be complied with.
- q. Requirement of local laws of the respective states, as suggested by our (Bank / Sponsor bank) empanelled advocates in their title search reports should be strictly followed.
- r. It should be ensured that mortgagor is making timely payment of all taxes, dues etc. especially like Sales Tax, Employees Provident Fund, Lease Rent and Property Taxes so that the Bank's security is not adversely affect.

## **9. PRECAUTIONS FOR SAFE CUSTODY OF ORIGINAL SECURITY DOCUMENTS AND TITLE DEEDS:**

Instances have come to the notice of the Bank that original documents and/or original title deeds are found missing either after lapse of considerable time/ period from the date of security creation

or after filing of recovery suits etc. Many times it happens that branches hand over the original security documents and title deeds to the Advocate for filing of suit/ DRT application etc. but do not collect/ obtain the same back promptly and properly. No record is maintained at the branch that original documents are handed over to the Advocate which have not been returned by him. As a result, as and when it is required to present the original documents etc. in court / Tribunal the same are not found or not traceable.

To overcome this situation, given below are the guidelines for safe custody of original documents, title deeds, etc.

1. While going to the Advocate/s for preparation to file suit, etc., the concerned branch officials may carry with them and deliver to the Advocate/s a photocopy of the originals, and the original documents, after perusal by the Advocate/s, may be brought back intact and kept in the safe custody of the branch. This course of action is designed to avoid any possible loss/ misplacement of security documents / title deeds.
2. Alternatively, as far possible, our advocates may be requested to call on the branch, and peruse the documents, etc., at the branch premises itself and do the needful further so as to obviate the need for the branch to keep track of the original documents and title deeds.
3. It is the Bank's recognized practice to send documents, etc. - originals or photo copies to advocates/ other branches along with a forwarding letter and to obtain the Advocate's/ the other branch's acknowledgment of receipt thereof, and this practice should be strictly followed by all the branches.
4. According to the practice prevailing at the particular place of filing suit, etc. the Advocate may file security documents and title deeds -- original or copies as per the requirement -- in the court or other legal forum. In either case, advocate's written confirmation has to be obtained.
5. Branches should never part with the originals without retaining the copy thereof with themselves.
6. Safekeeping of documents and records is the sole responsibility of the branch officials concerned, the same being an operational matter, and utmost care is expected of the personnel handling the same. It is, therefore, necessary that the factual position as to the availability of the originals is verified by the concerned officials even at the time of every change over on transfer or job rotation involving key officials of the branch.

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## ANNEXURE - 'A'

The following persons attended the office of Uttar Pradesh Gramin Bank, Branch ..... , at ..... A.M / PM. on ..... at the time

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of creation of mortgage by deposit of title deeds/ by constructive delivery to secure ..... sanctioned to ..... by  
Uttar Pradesh Gramin Bank.

<b>S.No.</b>	<b>Name and Designation</b>	<b>signature.</b>
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## **Annexure 2**

### **COLLATERAL MANAGEMENT & GOVERNANCE IN THE BANK**

#### **Section I**

##### **1. Background**

Collateral management is an integral component of the bank's credit risk management framework, designed to safeguard against borrower default and enhance the security of the lender's position. Given that loans and advances constitute a substantial portion of the bank's balance sheet, the effective management of collaterals is essential for ensuring financial stability, mitigating risk, and sustaining long-term operational success. Proper collateral governance helps maintain asset quality, improves loan recovery rates, and supports regulatory compliance.

##### **2. Objectives of the Policy**

**This policy aims to:**

- 2.1** Establish a framework to define a structured approach for the management of primary and collateral security associated with the bank's existing and proposed credit exposures, ensuring the protection of the bank's financial interests, rights, and capital.
- 2.2** To provide clear guidelines for identifying, evaluating, and mitigating risks, including credit risk, market risk, operational risk, and residual risks associated with primary and collateral security.
- 2.3** To align the bank's collateral management practices with applicable regulatory guidelines and internal credit risk management policies while incorporating industry's best practices.
- 2.4** To facilitate efficient collateral utilization, minimize loan losses, and strengthen the bank's ability to recover outstanding dues in case of borrower default.

##### **3. Scope of the Guidelines**

This policy applies to all lending activities under the banking book of the Regional Rural Bank (RRB). It includes loans and advances.

## Section II

1. To mitigate/reduce Credit Risk in an exposure, the following Credit Risk Mitigation techniques are pursued by the Bank. The techniques are not mutually exclusive and Bank may use more than one technique in a case.

Technique	Description
Obtaining Security	Primary and / or collateral security including cash or near cash
Obtaining Guarantees	Personal, corporate, government, institutions like Credit Guarantee Agencies – CGTMSE(The Credit Guarantee Fund Trust for Micro and Small Enterprises), CGFMU(Credit guarantee fund for Micro Units) etc and in certain cases, guarantees issued by acceptable Financial institutions/ Banks.
Insurance Cover	Insuring the perils of risk for the security offered
Prescribing Margins against security	Fixing Loan-to-value ratios, Fixed Asset coverage ratios, haircuts based on nature of securities offered for arriving at the eligible finance etc.

### **2. Types of security and acceptance criteria**

**2.1** In this Collateral Management Policy, the term “Collateral” is used to refer both primary and collateral security.

**2.2 Primary Security** – A primary security is an asset directly associated with the business/project and offered by the borrower against which bank grants finance or an asset which is acquired out of the bank finance and is given as security to the bank for the said finance.

**2.3 Collateral Security** – It is an additional or sub-ordinate security given, over and above the primary security or in substitution thereof. It serves as an additional comfort to the bank for

recovery of loans in default situations. These securities are at times not connected with the main business of the borrower or may not be owned by the borrower (Third party properties).

- 2.4** For credit decisions, Bank may accept various types of securities i.e. financial, non-financial, physical, even intangible securities like intellectual property rights, trademark, licenses, rights etc(subject to guidelines for specific schemes). Appropriate methods for creation of security interest shall be followed based on nature of security. But acceptance of a security for credit decision shall broadly depend upon the principles of adequacy, liquidity, marketability, legality, enforceability and legal certainty of title, as evaluated and determined by the sanctioning authorities.
- 2.5** Certain category of securities are treated as non-preferred collaterals even if it satisfies all the above principles, based on past recovery experiences, legal prohibitions and difficulty in enforcing the rights of the bank. For instance, land or buildings used for religious worship, properties of political parties, disputed properties, heavily tenanted buildings, offices of government departments/ services, sensitive / volatile commodities like acids, nuclear material, narcotic drugs, explosives, ozone depleting substances, mortgage of agriculture land for non-agriculture loans in states which prohibit mortgage of agriculture land etc . As per RBI guidelines, advances should not be granted against FDRs/Term Deposits of other banks, gold bullions (except specially minted gold coins sold by banks, Gold Metal loans to domestic jewellery manufacturers who are not exporters of jewellery), silver bullions, Bank's own shares, Certificate of deposits except CDs held by mutual funds, partly paid shares and advances against primary security of shares/debentures in the name of partnership/ proprietary concerns. Further, no loans shall be sanctioned for acquisition of small savings instruments, including KVPs as per RBI guidelines. Bank should also not grant any loan/advance against security/collateral of IDRs(Indian Depository Receipts ) issued in India. No advances should be granted for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds.
- 2.6** Exceptions can be considered on a case to case basis, on merits of each case, by the sanctioning authorities, if there are no prevailing regulatory/legal prohibitions in accepting the same. Acceptance of third party collaterals and heavily tenanted properties shall be subject to additional precautions and guidelines in this policy as well as other guidelines in place.
- 2.7** Bank shall not accept collateral security in case of loans up to Rs 10 Lakh extended to units in the MSE sector.
- 2.8** In case of digital lending, guidelines prescribed as per the respective digital lending schemes will be applicable for primary & collateral securities.

## **2.9**

- a.** Securities under the ownership of Educational Institutions and Hospitals shall not be considered as collateral security for any credit facilities. For the existing credit limits where such securities are already obtained as collaterals, the same may continue. However, endeavour should be made for substitution of such securities with other securities.
- b.** Land or Building of Educational Institutions / Hospitals with any restrictive clause of its usage for said purpose shall not be accepted as collateral security.
- c.** Further, Land or Building where Educational Institutions / Hospitals are located shall not be accepted as collateral security.

### **3. Documentation**

- 3.1.** Once a security is accepted and taken for a facility, security interest shall be created and adequate documentation shall be done as per Bank's guidelines on Documentation and creation of charges. Charges on collaterals have to be promptly registered with the relevant authorities wherever applicable.
- 3.2.** Legal documentation with respect to collateral management is required to facilitate identification of the obligor and collateral, serve as evidence for the creation of any charge and enable the Bank to enforce its rights for the recovery of dues.
- 3.3.** The documents prepared / obtained shall be as per the standard formats approved by the Bank and legally enforceable. The documents obtained shall bind all the obligors, co-obligors, guarantors, third parties mortgaging their land & building as security or pledging / hypothecating / assigning their assets as security for the credit facilities. The documents should be sufficient to create an effective and enforceable charge over the securities given / obtained for the facilities.
- 3.4.** Authorities disbursing credit facilities shall refer to and comply with the guidelines contained in the Guide on Documentation as also other guidelines issued by the Bank from time to time to ensure defect free security documentation. No credit facility shall be disbursed/renewed without completing required documentation and taking custody of securities in applicable cases.

### **4. Insurance**

- 4.1.** The securities charged to the Bank, except those specially exempted, shall be adequately insured for likely risks like fire, natural calamities, theft etc with the Bank as the loss-payee(beneficiaries) as per Bank's extant guidelines and circulars issued from time to time.

### **5. Valuation**

All collaterals are required to be valued prior to acceptance. Periodical inspection and valuation of collaterals shall be conducted as per guidelines stipulated in Bank's Loan Policy on

Valuation of Properties and Empanelment of Valuers as well as other operating instructions issued by the Bank from time to time.

## **6. Custody of Collateral**

6.1. Security interests are either possessory or non-possessory, depending upon whether the Bank actually takes possession of physical custody of collaterals (as in a conventional pledge) or securities are accepted by delivery of a document or other evidence of title to goods/securities. To safeguard the enforceability of the security agreement, safe custody of the collaterals as well as collateral agreements should be ensured.

## **7. Monitoring of Collaterals**

7.1 Effectiveness of credit risk mitigants could suffer from fluctuations in value of the credit risk mitigants reducing the margin or haircut vis-à-vis the stipulated margin, defective/deficient/outdated documentation that does not enforce the bank's security interest and absence of insurance policies for tangible assets serving as collateral security etc.

**7.2** To fully utilize the benefit of credit risk mitigants in reducing the potential losses associated with credit exposures (when they default), there should be proper monitoring of the risk mitigants.

**7.3** The collateral value and the outstanding balances in the accounts need to be closely monitored and periodically revalued as per Valuation guidelines of the Bank. Whenever the margin is felt inadequate, the same shall be reported to sanctioning authorities, for taking remedial steps for enhancing the value of collaterals or reducing the exposure.

There should be an inbuilt system for calling for additional collection of securities/ margin in case of highly volatile securities like shares, base metals, gold etc. Monitoring should also verify the adequacy and timeliness of collateral documentation as well as insurance coverage of the collaterals.

## **8. Recovery**

The Bank has laid down clear and robust procedure for the timely liquidation of collateral for recovery of dues. Recovery of credit through sale of collaterals or taking control of collaterals and the means of recovery are stipulated in Bank's Recovery policy issued from time to time.

## **9. Release of Collaterals**

9.1. Release of collaterals is warranted mainly in six circumstances:

9.1.1. After settlement of all dues by the borrower (standard accounts).

9.1.2. Substitution of securities with fresh acceptable securities,

9.1.3. After Settlement of debt in case of defaulted borrowers.

9.1.4. When senior charge holders exercise the rights over the property to meet their liabilities.

**9.1.5.** If any claimant with prior/senior charge lodges complaint and gets an enforceable regulatory order against the claim of the Bank.

**9.1.6.** Liquidation of collaterals by the Bank for recovery of dues.

**9.1.7.** Release of collaterals without substitution due to borrower request:

Normally, no permission for liquidation of securities shall be granted to the branches. However, the same may be allowed on selective basis (subject to Guidelines under Loan Policy) for which the proposal should be submitted to next higher authority not below the rank of Regional Manager with due recommendations.

In case of NPA accounts, branches should appropriate the liquid securities in the name/s of the borrower/s or guarantor/s with prior permission of Regional Manager before initiation of any legal recovery proceedings. A reasonable notice will be required to be given to the concerned person.

**9.2.** Prior to the release of collateral or guarantees, the officer in charge of their safe custody should ensure that:

**9.2.1** All conditions for release stipulated in the relevant loan agreements have been fully complied with.

**9.2.2** The release has been properly authorized by the competent authority.

**9.2.3** Reference to Circular made w.r.t. timely return of original property documents /title deeds post closure of loan account.

**9.3.** In case of para 9.1.1, after settlement of dues, it should be ensured that the securities and security documents are released only after complete settlement of all the dues against which properties are charged to the Bank. Satisfaction of charges with ROC shall be filed in case of companies and No dues certificate shall also be given to the borrowers after settlement of dues.

**9.4.** In case of substitution of securities, as mentioned in para 9.1.2, it has to be ensured that there is no dilution in the original security coverage ratio / stipulated level of coverage in the sanction letter, if any, unless the authority approves the dilution in value or the exposure is reduced proportionately. The substitution of securities shall be approved by sanctioning authority in all cases.

**9.5.** Substitution of the following collateral securities to be avoided as far as possible:

- Substitution of constructed property with open land.
- Substitution of Residential/Commercial property with industrial/agricultural property.
- In cases where substitution is warranted, the request for substitution shall be submitted to the concerned authority.
- Substitution of Financial Collateral(Bank deposits, securities issued by state and central government, NSC, LIC Policy, Kisan Vikas Patra, Gold (jewellery), Bonds, Debt Mutual

Fund units) with non-financial collateral with less than 150% of value of the financial collateral.

In case the value of substituting security is either equivalent to or more than the security to be substituted; Regional Manager can consider security substitution with adequate due diligence on the proposed security. In case of dilution of security, the matter should be referred to Regional Manager or next higher authority.

- 9.6.** In the event of settlement of debt by the defaulting borrower or liquidation of collateral by the bank for recovery of dues, the process should be governed by documentation guidelines, regulatory directives, and extant guidelines issued by the Bank. Disposal of collateral should be at arm's length and through a transparent process (public auction/e-auction, private treaties,etc) to avoid litigation by the original owner and reputational risk to the bank.
- 9.7.** Other instances explained in Para **9.1.5** and **9.1.6** above shall be dealt with caution, after consultation with and obtaining instructions from Legal Officer of the Region to protect the interests of the Bank.
- 9.8.** It should be ensured that the securities and documents to title to goods/properties/items are entrusted to the owner /duly authorized person/(s) only in all circumstances. Proper and adequate acknowledgement should be obtained after release of securities/ documents.

## **10. Limitation of Documents**

The Limitation Act prescribes different period of limitation for different types of transactions. The limitation period prescribed for various documents are as under:

<b>Nature of Document Limitation Period</b>	<b>Nature of Document Limitation Period</b>
Letter of Guarantee	3 years from the date of cause of action. 3 years from the date of recall of advance from the guarantor
Pledge Agreement	Limitation not applicable. Bank can dispose off the pledged goods after notice and recover the advance even if document is time barred
Hypothecation Agreement	3 years from subsequent date of execution. However if goods are taken into possession

	and kept in pledge, then no limitation applicable for disposal
Mortgage	12 years from the date of cause of action (money becomes due and payable)
Letter of Hypothecation of Bill	3 years from the date of each Bill
Counter Indemnity for balance due on a mutual, open and current a/c (CC a/c)	Three years from the date of payment of the invoked amount.
DP Note	3 years from the date of execution

### **Section III**

#### **Creation of Mortgage by Deposit of Title Deeds**

##### **1.1 Practice and Procedure:**

- A) Deposit of all the material Title -Deeds by the mortgagor with the Bank at the Notified Place.
- B) Recording the act of Deposit of Title-Deeds either by way of a Memorandum of Deposit of Title Deeds or recording Oral Assent of the mortgagor in the Banks' book, to show the intention to create security by way of mortgage for particular advance or advances.
- C) Obtaining confirmation letter from the mortgagor regarding such deposit of title deeds.
- D) Registering the memorandum of deposit, in cases when such registration is required.

##### **1.2 Delivery of Title-Deeds:**

(a) There should be delivery of all the material and relevant title deeds relating to the property, by the mortgagor/s to the Branch Manager of the Bank, who will be acting for and on behalf of the Bank.

(b) The delivery of the title deeds should be made by the authorised persons, who have the right and the capacity to create such mortgage. This depends on the type of the borrower or guarantor, as shown below:

(i) Individual Property: By the Individual owner of the Property.

(ii) Joint Property: By all the joint owners, jointly. (Mortgage created on undivided portion of property without the concurrence of other Joint owners is not a valid mortgage).

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- (iii) HUF Property: By the Karta and all major co-parceners of HUF.
- (iv) Partnership Property: By all the partners of the firm. There is no implied authority of one or more partners to transfer immovable property of the firm. One of the joint owner or partner under the explicit written authority of the other joint owner/ partners can create a mortgage.
- (v) Trust Property: By all the trustees jointly, provided there is no prohibition under the Trust Deed.
- (vi) Society's Property: By the Chairman and Secretary or such other office-bearer/s who are duly authorised to effect delivery of title deeds to the Bank to create equitable mortgage under the proper Resolutions of the Managing Committee/ General Body of the Society as may be permitted under the Society's Bye - laws.
- (viii) By the Agents or Attorneys of the Mortgagor:-  
The Agents, who have the authority to manage the affairs of the principal or who have authority to operate his deposit accounts do not get the authority to create mortgage of the property of the principal. Hence, creation of mortgage by the Agent or Attorney should be discouraged. But for any good reason, if it is felt necessary, the powers of Attorney should be carefully verified. For effecting transfer of property, or mortgaging the property, the Attorney should have been granted specific powers clearly authorising him to create mortgage over the property of the principal and for that purpose, to deposit the title deeds relating to the property of the principal and to execute Memorandum of Deposit or the Mortgage Deed on behalf of the Principal and to admit execution and registration of the mortgage etc. It is advisable to have the authority vested in the Attorney verified by the Bank's lawyer.

### **1.3 What are Title Deeds/ Documents of title:**

- (a) Title deeds mean the documents relating to the property and which are material evidence of title. The documents must not only relate to the property but must also be such as to show *prima facie* title of the mortgagor.
- (b) Mortgage by deposit of title deeds is created by deposit of only ORIGINAL title-deeds, such as Sale Deed, Conveyance Deed, Lease Deed, Gift Deed, Trust Deed, Will, Sale Certificate, Share Certificate or Membership Certificate with Allotment Letter in case of Society or Non-Trading Association etc.
- (c) Copies of these material deeds/ documents are not the title deeds and should not be accepted in normal course. It is only when, any of the original documents has been lost and not traceable, its certified copy is to be accepted, provided there are some other previous Original Documents. An Affidavit of the party affirming that despite his best efforts, the original document is not traceable and has been lost permanently should be obtained along with a

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suitably worded Indemnity. It is be Affidavit and Indemnity got drafted by Bank's Lawyer. Mortgage created on the basis of fabricated documents/ copies of documents/ incomplete chain of titles is not a valid and enforceable mortgage.

- (d) Agreements for Sale or for Lease are not Title Deeds. The copies of the Government Records or Revenue Records are also not the documents of title.
- (e) Mortgage of agriculture land to secure non - agriculture advance requires permission of the Land Revenue Authorities and encumbrance should be got noted in the land records. For any activity other than agriculture on agricultural land, conversion of agriculture land into non - agriculture usage is must.

#### **1.4 Places where it can be created:**

- (a) A mortgage by deposit of title deeds can be created only at the places which are notified by the State Government for purpose, from time to time. A list of such notified places will be available from the Government Gazette.
- (b) It is not necessary that the property should be located in such notified place. Such mortgage can be created in respect of property which is located at any place. But the deposit of title deeds MUST be made only at a Branch at notified place.

#### **1.5 Title deeds to be received from another Bank/ Institution:**

- (a) Sometimes, the title deeds are deposited by the borrower with another Bank or Institution and the borrower requests to accept delivery of his title deeds on payment of the amount due to such other Bank or Institution. This can be done after making payment, if the delivery of title deeds are taken by the subsequent mortgagee from the previous mortgagee, the legal requirements of the mortgage is considered to be complied with.
- (b) The following procedure may be followed in such cases:
  - (i) Investigation of the borrower's title should be done by the Bank's lawyer by carrying out inspection of the title deeds lying with another Bank/ Institution and also by carrying out independent search in the revenue and other records.
  - (ii) A confirmation, in writing, is obtained from that Bank/ Institution agreeing to deliver all the title deeds to the Bank, on payment being made to it. Exact amount of the dues payable to such other Bank/Institution should be ascertained.
  - (iii) An authority letter signed by the borrower should be obtained authorising the Bank's official to take delivery of all the title deeds on behalf of the borrower.
  - (iv) Payment to the other Bank/ Institution to be made directly against receipt of all the title deeds.

(v) Then, deposit of title-deeds will have to be recorded following the laid down procedure for recording creation of mortgage by deposit of title deeds.

## **2. MEMORANDUM OF DEPOSIT OF TITLE DEEDS:**

**2.1** Such Memorandum records the fact of the mortgagor/s (stating their names) delivering the title deeds to the Bank with an intent to create a mortgage on his/her/ their property (which is described) as security for the repayment of the advances (giving nature of facilities, amount, rate of interest, etc. ) granted by the Bank.

**2.2** Such Memorandum contains two Schedules. One Schedule shall give full details of the mortgaged property. The other Schedule gives a list describing the title deeds which are deposited.

**2.3** All the particulars such as, names of the persons attending the branch and depositing the title deeds, date of such deposit, amount/s of limit/s to be covered under the mortgage security etc., are required to be duly filled in.

**2.4** The Schedules should be correctly completed. All the title deeds which are deposited should be included in the List of Title deeds. In the Schedule of mortgaged property, full description and details with boundaries should be described so as to give proper identification of such property.

### **2.5 Description of Property:-**

**(a)** A mortgage is a transfer of interest in a specific immovable property. Hence, great care should be taken to ensure that full and correct description of the property mortgaged is given such as, Revenue Survey Number, Plot Number, House/ Tenement Number, Location or Number of Road/Street, Area, Village, Taluka, District, etc., giving the particulars of the boundaries.

**(b)** If the description of property is too general or vague, it could lead to difficulties at the time of enforcement of mortgage.

**(c)** If the property is wrongly described, it would mean taking a mortgage of some other property, not belonging to the mortgagor. In that case, the Bank may not be in a position to execute the mortgage decree even when it is obtained against the party.

### **2.6 Stamping of Memorandum:-**

**(a)** Any instrument evidencing an Agreement or Memorandum of Agreement relating to the deposit of title deeds, attracts stamp duty under Article 6 of the Indian Stamp Act and under the corresponding Article in the Schedule of the Local/ State Stamp Law. Hence, the Memorandum should be got stamped accordingly.

**(b)** Normally, the Stamp duty for a Memorandum of Deposit of Title Deeds is comparatively less than the stamp duty prescribed for a Mortgage Deed.

- (c) However, it may be noted that in order that such Memorandum is considered as an Agreement relating to deposit of title deeds should merely contain the bargain between the parties in relation to deposit of title deeds and conditions ancillary to such deposit. If it contains all the provisions which contain the contract between the parties which are normally found in a Mortgage Deed, then it would not make it an 'Agreement for deposit of Title Deeds.'
- (d) Mortgage by deposit of title deeds can be created at any Branch designated at notified place.

### **3. REGISTRATION OF MEMORANDUM OF DEPOSIT OF TITLE - DEEDS:**

**3.1** In terms of Section 59 of the Transfer of Property Act, 1882, a mortgage by deposit of title deeds is exempt from Registration. The registration is not required when:

- A)** Where the transaction of deposit of title deeds is made by way of entry in the Bank's books to record creation of mortgage security on the property and signed by a Bank's official and intention of such recording is simply to recite the past fact of deposit of title deeds by the mortgagor to create security on his property, or
- B)** Where the transaction is recorded in a Memorandum of Deposit and such Memorandum states that the title deeds have already been delivered with the bank with intention to create security by way of mortgage and such memorandum is merely a recital or record of such deposit, or
- C)** Where by a Memorandum, the parties do not intend to create a charge by its execution but it is merely a record of transaction which has already been created, even though it contains undertaking to execute legal mortgage and assurances that the property is free from encumbrances.

**3.2** However, under Section 17(1)(b) of The Registration Act, any instrument which operates to create or declare any right, title or interest of the value of Rs. 100 and more to or in immovable property situated in a district covered by the Act requires registration. The Registration is required when;

- A)** the Memorandum indicates that the parties intend to document the deposit of title deeds in a written agreement, and / or
- B)** the Memorandum is accompanied by the deposit of title deeds and it contains the terms and conditions of the mortgage and evidences the transaction, and/ or
- C)** the Memorandum or the letter signed by the mortgagor states that the title deeds are being deposited with the bank for the purpose of creating mortgage thereof and includes the terms and conditions of the mortgage.

### **CARE TO BE TAKEN:**

In the light of the above aspects, care should be taken to ensure that the Memorandum of Deposit of Title Deeds is such that it does not require registration under the Registration Act. If the Memorandum is such which requires registration and is not registered, the mortgage is ineffective and not admissible in evidence in the court of law. However, in those states where the registration of Memorandum of Deposit of Title Deeds is made mandatory, the branches should ensure the registration of the same within the prescribed time limit.

#### **4. MEMORANDUM OF ENTRY OR ORAL ASSENT.**

- 4.1 The Memorandum of Entry is recorded accepting deposit of title deeds not on the same day on which mortgage by deposit of title deeds was created but on any day subsequent thereto, preferably the next day. This is done with a view to establish that entry is simply a recital of earlier transaction.
- 4.2 In the Memorandum of Entry, the time, date and place of deposit of title deeds are clearly recorded and it is dated on a subsequent day.
- 4.3 The Entry is signed only by the authorised official of the Bank, who has accepted the deposit of title deeds and witnessed by one or more witnesses.
- 4.4 No signature of the Mortgagor is taken on the Memorandum of Entry or Oral Assent.
- 4.5 The Entry records that the mortgagor/s had deposited the title deeds with intent to create mortgage on the property (description is given) in favour of the Bank, as security for the advances (facilities, limits, rates of interest, etc., are described) granted by the Bank. It also contains declaration that the property is absolutely owned by him and that he has clear marketable title; that there is no charge, lien, encumbrance, attachment etc., on the property; that the mortgage shall be the continuing security for the advances etc.
- 4.6 Such entry serially numbered is generally made in handwriting in a bound Register with pages serially numbered. It should never be in loose leaf form. The list of the title deeds and the Schedule of Property over which mortgage is created should be written as part of such Entry.
- 4.7 Whenever a Confirmation Letter is obtained, it should not be on the same date but should be on the next day of the Date of Entry.
- 4.8 The record of Entry of deposit of Title deeds thus made in the Bank's books is admissible in evidence in the court of law as primary evidence of transaction under Section 4 of the Banker's Book Evidence Act.

#### **5. NO PARTING OF TITLE DEEDS**

- 5.1 At no point of time during the continuance of mortgage the title deeds or any of the title deeds should be parted with or delivered to the mortgagor or his representative. The parting of title deeds even for a temporary period may create complications affecting the continuity of the mortgage. Section 78 of the Transfer of Property Act states that where through the fraud, misrepresentation or gross neglect of a prior mortgagee, another person has been induced to advance money on the security of already mortgaged property, the prior mortgagee shall be postponed to such subsequent mortgagee.
- 5.2 In the event of inspection of title deeds is requested, it may be allowed to be done in the presence of a Bank's official at the Bank premises only.

**5.3 The title deeds should be kept in a separate file in a fire proof cabinet under the dual control at the designated branch where the Equitable Mortgage (EM) has been executed.**

## **6. PRIORITY OF MORTGAGE BY DEPOSIT OF TITLE DEEDS**

**6.1** A validly created mortgage by deposit of title deeds shall stand on the same footing and has the same legal force as that of any other form of mortgage. Therefore, a mortgage created by deposit of title deeds at a prior date shall have priority over any other mortgage executed at a later date.

**6.2** As per Section 48 of the Registration Act, a mortgage by deposit of title deeds shall take effect against any mortgage deeds subsequently registered though relating to the same property.

## **7. MORTGAGE FROM A GUARANTOR**

**7.1** Under Section 58 of the Transfer of Property Act, a mortgage can be for the purpose of securing the payment of money advanced or to be advanced by way of loan or for any existing or future debt or for the performance of an agreement which may give rise to a pecuniary liability. Thus, a mortgage can be created by a guarantor on his property as security against any credit facility.

**7.2** The procedure for creating a mortgage of the guarantor's property will be the same as in case of creating a mortgage of the borrower's property, except that the relative recital in the Memorandum of Deposit of Title deeds or in the Memorandum of Entry will mention the name of the guarantor as mortgagor depositing the title deeds for the facilities sanctioned to the borrower whose name will appear at appropriate place along with the facilities.

**7.3** The third party mortgage can only be from a guarantor.

**7.4** Mortgage for Counter Guarantee: When the Bank gives guarantee to any person on behalf of a customer, a counter guarantee from the customer is obtained. If the liability under the bank guarantee arises, and the Bank is required to make payment to the beneficiary, the Bank has to recover the amount so paid under the guarantee from the customer, under his counter guarantee. Therefore, the customer's liability under such counter guarantee can be secured by a mortgage of his property. The same procedure is required to be followed as in case of a mortgage created by a guarantor of the credit facility.

## **8. PRECAUTIONS FOR CREATION OF MORTGAGE:**

**8.1** Before creation of a mortgage by deposit of title deeds, branches to ensure that the title deeds are verified and report on title obtained from Advocate on the panel after they conduct searches in the appropriate records of the Sub - Registrar of Assurance and Revenue/ Municipal records, upto the nearest date of creation of mortgage. The advocate to certify that the title deeds relating to concerned property are original, duly stamped and wherever required duly registered and title is clear, marketable and free from encumbrances.

- 8.2** Branches to insist on opening of bank account as per ' KYC' norms by owners of the property who offer the same as mortgage security against the loan given to third parties. Copies of House Tax receipts/ Electricity Bills etc. are to be obtained as proof of possession/ residence.
- 8.3** In case property proposed to be mortgaged is under tenancy / leased to a third party, the same will reduce the marketability and value thereof. It is necessary to take this aspect into consideration while accepting such property as security.
- 8.4** Branches to maintain attendance register or a separate attendance note of the mortgagors as per specified format recording the name of the persons having attended the Bank's branch and having created the mortgage by deposit of title deeds, which should be signed by the depositor/s and Bank's official present at such time. Also a photograph of the mortgagor/s or his/ their duly authorized representatives who is/are authorized to deposit title deeds, duly signed by him across the photograph, should be obtained and affixed on the Memorandum recording deposit of title deeds.
- 8.5** A letter of Confirmation as per specified documents, as the circumstances may demand, be obtained from the depositor/ owner of the property mortgaged (duly worded depending whether the depositor/ owner is an individual or a firm or a Company).
- 8.6** Branch to write a Registered A.D. Letter to the depositor/ owner confirming mortgage having been created by the owner on specified day. It must also be ensured that acknowledgment thereof is received and is preserved and kept with the Memorandum of Entry or with other original security documents.
- 8.7** The letter of cost should be obtained from the borrower/ guarantor who has mortgaged the property to enable the Bank to ask for costs, charges, fees, and expenses as may be incurred by the Bank in this behalf.
- 8.8** A declaration in the form of an affidavit should be obtained from the mortgagor/ owner that the property to be mortgaged is free from encumbrances of any sort and that no suit is pending and that there is no attachment etc., on the said property and that no transfer of any right, title and interest including by way of lease or tenancy will be created without prior written consent of the Bank.
- 8.9** When the advance is granted against the security of a mortgage by deposit of title deeds and subsequently required to be converted into an English Mortgage, an irrevocable Power of Attorney as per specified format should be obtained.
- 8.10** Branches to accept complete chain of titles in original along with the other documents as advised by the advocates in their search report to the branch.
- 8.11** In case of lease - hold property, prior written consent of the lessor for creation of mortgage should be obtained. It is advisable to avoid privately leased property, more particularly, if leased for less than -30- years. In all cases, the term of lease deed also needs to be perused to ensure that there is no clause adversely affecting Bank's interest.
- 8.12** Mortgage on the strength of share certificate of housing society requires consent of society. Our Bank's lien is to be noted in the society's records. A search report of titles to the land whereon the flats are constructed must be taken on Bank's record.
- 8.13** A notice should be addressed to the concerned land Revenue Authority like Talati/Tehsildar/Mamlatdar informing about the creation of mortgage in Bank's favour and

requesting him to note the Bank's charge in the record of rights and to send a copy thereof to the branch, which when received, should be kept along with the documents.

- 8.14** Whenever the property belongs to a Company who may either be a borrower or a guarantor, charge on property should be recorded in the records of Registrar of Companies in whose jurisdiction the Registered office of the Company is situated. Moreover, if a company acquires a property which is already subject to charge of any other bank/ institution then such acquisition should be registered within -30- days with the Registrar of Companies.
- 8.15** For obtaining charge on property of a company, which is created in its capacity as guarantor to an advance, the requisite formalities for execution of guarantee, creation of mortgage, registration of charge etc. as per the relevant provisions of the Companies Act must be complied with.
- 8.16** Requirement of local laws of the respective states, as suggested by our empanelled advocates in their title search reports should be strictly followed.
- 8.17** It should be ensured that mortgagor is making timely payment of all taxes, dues etc. especially like Sales Tax, Employees Provident Fund, Lease Rent and Property Taxes so that the Bank's security is not adversely affected.

#### **Section IV**

#### **SAFE CUSTODY OF ORIGINAL SECURITY DOCUMENTS AND TITLE DEEDS**

As you are aware, guidelines have been issued from time to time regarding secured custody of original loan documents (LDOC) and title deeds. The proper and secure maintenance of these documents is not only crucial for the bank's interests but also essential for ensuring the smooth execution of legal and operational processes.

To ensure safe custody of original loan documents and/or title deeds, the following guidelines are required to be adhered to:

- 1. Storage of Original Loan Documents (LDOC):** The original loan documents (LDOC) must be stored in a fireproof cabinet under joint custody at the branch. It is the responsibility of the concerned branch officials to exercise utmost caution in safeguarding these documents. During branch transfers or changes in assignment, the availability and condition of these documents must be mandatorily verified.
- 2. Equitable Mortgage (EM):** Equitable Mortgage can only be created at designated branches. The original title deeds must be stored at the same branch where the Equitable Mortgage (EM) is executed.

3. Handling of Legal Cases: While sending documents to legal counsel for litigation, recovery applications, etc., only copies of the original documents should be provided. If necessary, the original documents should be verified in the presence of legal counsel and then securely returned to their designated storage location. As far as possible, lawyers should be invited to the branch premises for document inspection and necessary formalities to ensure that original documents do not leave the branch.

4. Forwarding and Acknowledgment Process: Whenever documents are sent to lawyers or other branches, they must always be accompanied by a forwarding letter. A written acknowledgment of receipt must be obtained. Additionally, if documents are submitted by the lawyer to a court or any other legal forum, a written confirmation of submission must be obtained.

5. Document Copies for External Submission: Branches must never hand over original documents to legal counsel without retaining a certified copy of the documents at the branch.

6. Inspection of Title Deeds: Inspection of title deeds should be permitted only within the branch premises and in the presence of an authorized bank official.

**Section V**  
**MANAGEMENT OF RESIDUAL RISKS IN COLLATERALIZATION**

1. Although the Bank derives benefit out of Collateral Management System, there are number of Residual Risks that arise from the process. Residual risks include legal, operational, liquidity and market risks. Therefore, it is imperative that banks employ robust procedures and processes to control these risks, including strategy; consideration of the underlying credit; valuation; guidelines; systems; control of roll-off risks; and management of concentration risk arising from the bank's use of CRM techniques and its interaction with the bank's overall credit risk profile.

2. The bank may face the following type of risk involved in respect of Collateralizing Transaction:

**2.1. Operational Risk:**

**2.1.1.** Collateral Agreement Structuring requires special knowledge/skills to avoid creating/documenting agreements that are operationally burdensome or legally ineffective.

**2.1.2.** Prescribing of standardized documentation for each product/ or type of collateral as well as vetting by the legal department for non-standardized documents to check accuracy and adequacy will minimize operational errors. Similarly, up-dation of documents has to be made on enhancement, modification etc. of facilities and also as per provisions of Law of limitation / documentation policy of the Bank. Branches and authorized persons executing the documents have to exercise utmost care in ensuring accuracy, adequacy and timeliness of the documents.

**2.1.3.** Collateral Monitoring, if not done on a regular basis, with accurate data & reporting, may give rise to a risk of value of the collaterals getting reduced or depleted or become unenforceable.

**2.2. Market Risk**

**2.2.1.** Market risk arises due to decrease/ fluctuation in market value of collaterals. Haircuts/ margins are prescribed to minimize the risks of value of collaterals falling below the credit exposure even in situations of extreme volatility.

**2.2.2.** If the actual price volatility of the asset is not back-tested from time to time versus the haircuts applied, then there is a potential for loss situation to increase.

**2.2.3.** A regular review of market risk and asset haircuts is the prudent minimum and for more volatile and less liquid assets a more frequent review is to be done.

**2.2.4.** An inbuilt mechanism to increase collection of securities/ margin in case of highly volatile securities like shares, base metals, gold etc will minimize the risk.

### **2.3. Risk of loss of physical collaterals due to casualty events**

**2.3.1.** In case of physical collaterals such as stock of goods, machinery, building, land, vehicles etc., there is a risk of loss of such collaterals due to causality events such as theft, pilferage, fire, earthquake, accidents, flood and certain manmade disasters like acts of terrorism. The branches shall ensure that securities charged to the Bank, shall be adequately insured against such plausible events, with the name of Bank as loss payee. Branches shall also ensure that the cover is adequate in relation to the value of security and exposure amount due to the Bank. The cost of insurance shall be borne by the Borrower. Branches shall also ensure that the insurance policies are kept up to date in the records to avoid the risk of non-coverage.

**2.3.2.** National Disaster Management Guidelines on Ensuring Disaster Resilient construction of Buildings and Infrastructure:

**2.3.2.1.** Bank has to ensure that physical assets created through loans remain safe and disaster resilient.

### **2.4. Concentration Risk in Collaterals**

**2.4.1.** Concentration risk arises where the bank obtains similar collateral assets from a number of borrowers/third parties and/or consistently receives the same assets. The aggregate pool of collateral may be unduly concentrated in particular issuers, sectors, asset classes or same location. In such a situation, the enforcement may become difficult, counterparty risk or the one way movement of price risk increases which need to be factored while accepting the security.

**2.4.2.** Bank prefers to have a diversified pool of collaterals which are liquid and less volatile. Under standardized approach of credit risk, only financial collaterals are recognized for CRM. Financial collaterals are cash or near cash equivalent instruments which are highly liquid in nature. As such, currently, concentration of collaterals may not have impact on capital adequacy.

### **2.5. Correlation Risk**

**2.5.1.** Correlation risk arises when a borrower/third party delivered collateral assets are highly/adversely correlated to borrower's credit performance/quality itself. e.g: Obtaining guarantee from parent company whose credit worthiness/ value is dependent on the borrower, obtaining security of a company whose cash flows depends on the borrower. Hence, the credit quality of the counter-party and the value of the collateral should not have material positive co-relation. Correlation may be reduced or eliminated by careful choice of collateral assets.

**2.5.2.** Sanctioning authority should try to ensure that the value of non-primary collateral should not have any material correlation with the business cycle of the same borrower.

## **2.6. Legal Risk:**

There are numerous legal risks of collateralisation, which need to be analyzed in the context of the type of borrower, likely jurisdiction of insolvency proceedings or other factors. The following are the general types of legal risk: (1) Failure to understand and follow statutory procedures such as filing Registration of Charge with ROC, failure to take all necessary steps to achieve perfection of a security interest (2) the risk that other creditors have a superior priority in insolvency proceedings and attendant subjugation of rights to collateral assets (3) risk of a title transfer collateral document improperly documented (4) other potential risks arising during enforcement action through the Legal System (5) Inadequate Stamp duty on documents.

**2.7. To mitigate the above risks, the following measures shall be taken carefully and prudently:**

**2.7.1. Selection of Collateral**

**2.7.2. Valuation of Collateral**

**2.7.3. Valuation of fixed assets**

**2.7.4. Annual valuation of CRE and Residential Real Estate Collaterals by the branch heads**

**2.7.5. Valuation of cash and near cash securities. Approved valuer in his valuation report should mention whether the property is tenanted or not.**

**Periodicity of Review of the policy:** The policy shall be reviewed on annual basis i.e. one year from the date of approval by the Hon'ble Board or till the next approval whichever is earlier.

Any change made by the Govt. of India/ RBI/ NABARD/MHA from time to time shall form integral part of the policy with immediate effect and it shall be treated modified to that extent.

The validity of the policy shall be three years from the date of approval of the Board. In case the policy cannot be reviewed on or before due date, The Chairman is authorized for allowing to continue with the policy for further three months from the due date of review.

### **Annexure A**

The following persons attended the office of U.P. Gramin Bank \_\_\_\_\_ Branch, at \_\_\_\_\_ A.M./P.M. on \_\_\_\_\_ at the time of creation of mortgage by deposit of title deeds/ by constructive delivery to secure \_\_\_\_\_ sanctioned by U.P. Gramin Bank.

S.No	Name and Designation	Signature
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## UTTAR PRADESH GRAMIN BANK

## MONTHLY STATEMENT OF ADVANCES GRANTED DURING THE MONTH OF

ANNEXURE-I

## POST SANCTION REPORTING

## BRANCH

REGION-

AMT (IN RUPEES)

PART -A

## FOR SANCTION OF FB+NFB-EXCLUDING STAFF LOANS

S.no .	Date of receiving application	Name of the account/party	Constituion, net mea ns (nw) & value of ip (im movable rope rty) in rs.	SC/ST/M inority/ gen.	San ctio n seri al	Purpo se/sch eme	Natu re of facili ty	Da te of sa nct ion	Amo unt sanc tion	Lim it F resh (F)/ Enh anc ed (En ) /Ren ewal(R ) (Sp ecif y)	Prev ious Limit (In Case of Enha ncement)	Date of disbt	Am t dis t	Margin/ Sub sid y Am oun t/ LT V Rat io	ACOU NT NO. LOAN/ SB/CA/ Term Deposit A/c No. (in our Bank)	Ann ual Inc om e of App licant (IN RS.)	Securities Charges To Bank		Repayment Schedule		Rate Of Int erest	CIC Sco re	Name of disbursing branc h	Sales & Profi t Figur e for Last 3yrs (in Lakh )	Guara ntor's Name, Net Means (NW) & Value Of IP in Rs.	Facilitie s from other Bank(s) (if Any), With Bank's Name, Nature of Facility & Value of IP	Facilities Sanctione d to Asso./ Allied Concerns (in Lacs) with Name of Firm, Nature and Amount of Limit	PROCESSI NG & DOCUMENTATIO N CHARGES RECOVER ED (DATE &TIME)	Main Docum ents Obtained	
																Prim ary Secur ity (Pl.S pecifi cally Natu re & Valu e)	Collat eral Securi ty (Pl.Specify Natur e & Value in Rs.)	Rep aym ent Sch edule with mor atori um peri od	FIRST											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
1																														
2																														
		TOT AL				X	X	X					X		X							XX	XX	X X						XXX

## PART-B

a. ANNUAL CEILING FOR SANCTIONS BY SANCTIONING AUTHORITY

b. CUMULATIVE FRESH SANCTIONS MADE DURING THE YEAR (FROM APRIL TILL END OF THE MONTH) EXCLUDING STAFF LOANS

## WE CERTIFY THAT:-

A. ALL CREDIT FACILITIES SANCTIONED DURING THE MONTH HAVE BEEN REPORTED THE PSR AUTHORITY

B. WE HAVE ALREADY SENT COPIES OF CREDIT PROPOSALS IN DUPLICATE &amp; RELATED INFORMATION IN RESPECT OF ALL SANCTIONED LIMITS(F.B LIMIT ABOVE RS 1.00)LACS/RETAIL ABOVE 1.00 LACS AND N.F.B LIMIT (IRRESPECTIVE OF SIZE OF LOAN) TO PSR AUTHORITY

C. ALL THE ABOVE SANCTIONS ARE WITHIN OUR DISCRETIONARY LENDING POWERS &amp; WE HAVE DULY OBSERVED THE CAP ON MAXIMUM LENDING

D. BRANCH HAS SANCTIONED CASES AMOUNTING TO RS. TO DURING THE MONTH.

E. SANCTION SERIAL FROM 01 APRIL TO 31 Dec. MUST BE IN CONTINUATION IN ASCENDING ORDER.

**MONITORING REPORT**

(Common reporting format for MMR and QMR)

**REPORT FOR THE MONTH/QUARTER as of \_\_\_\_\_ 202**

<b>BRANCH</b>	<b>REGION</b>
<b>SOL ID-</b>	

**(A) BASIC INFORMATIONS**

1	<b>Name of the Borrower and CIF</b>						
	Constitution : Individual/ Proprietorship/Partnership/ Company/Trust Others						
	Address:						
	a) Residence (Individual)/ Registered address						
	b) Manufacturing Unit /Showroom Locations (Wherever applicable)						
	c) Names of promoter/proprietor/partners						
	d) Nature of activity & Scheme (Mfg./Trading/Others(pl specify))						
	e) Segment(Wholesale/SME/Others (pl specify))						
	f) Loan A/C No.						
	g) Nature of facility(TL/CC/OD)						
	h) Banking arrangement (Sole/MBA/Consortium)						
2.	<b>Asset Classification</b>						
	If account is NPA-Date of NPA						
3.	a) Present credit rating						
	b) Date of balance sheet on which Credit Rating is based						
4.	<b>Previous Credit Ratings</b>						
	a) Date of balance sheet on which previous rating is based.						
	b) whether Rating is based on Audited Balance Sheet ( YES/ NO)						
5	(i) Reasons for decline in rating						
	(ii) Action taken for improvement in rating						
6	<b>Particulars of existing sanction/approval</b>	Sanction Details		Review Details			LAD date
	Sanctioning Authority	Date of sanction	Last review date	Reviewing Authority	Next Review Due date		
7	<b>If due date of review is falling with in next 30 days, whether review proposal submitted</b>						
	(If yes, date of submission and to whom it is submitted. If not, reasons for non-submission and present status)						

**(B).1-DETAILS OF FACILITIES ENJOYED:**

(Amount: In Lakh)

Sr. No.	Nature of Regular Credit Facilities	Limits Sanctioned		Outstanding As on--/--/20--		Overdue/Irregular Amount and Its nature			Reasons of underutilization of limits/steps taken
		FB	NFB	FB	NFB	Amt.	No. of installments Overdue in Case of Term Loan	Since when	

**(Follow up actions taken for regularization):** NB-In case of NPA/PNPA/Irregular Account with complete details:

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**(B).2-Repayment schedule (in case of DL/TL):**

1 <sup>st</sup> Disbursement date & amount	
Last Disbursement date & amount	
Repayment period	
No. of installments	
Whether EMI/Non EMI	
Amount of installment/EMI	
1 <sup>st</sup> Installment Due Date	
Rate of Interest	

**C) MONITORING INFORMATION:**

1.	<b>Terms and conditions not complied, if any a)(</b> (with specific mention about creation/extension of mortgage /charge over FAs/CAs, obtaining collateral securities, bringing in promoter's contribution etc; <b>b)</b> Steps taken/progress towards compliance and date by which the same will be complied with.	
2(a)	<b>Date of last inspection/</b> verification of securities, stocks, book debts etc. (ensure inspections as per credit ratings) <b>Please mention the value of stock &amp; Drawing Power in the account in case of Cash credit.</b>	
(b)	<b>Any shortfall or deficiency/Adverse feature noticed.</b> If so, give details and action taken	
(c)	<b>Number of such inspections carried out during current Financial Year.</b>	
3	<b>Whether interest / installment serviced till the last month</b>	
4	Date of last meeting with the borrower	
5	Gist of any adverse feature noticed regarding sales, market trend, increase in input costs, sale price, demand of the products or any other business related development, including company's performance results ( half yearly/ yearly) with comments on achievement of targets etc. viz-a-viz projections.	

6	<b>Any other major adverse features observed/noticed prejudicing the bank's interest.</b> If so, give details			
7	<b>Whether turnover in the account is satisfactory &amp; as per Balance sheet, If not Give reasons/observations.</b>			
8	<b>Is the submission of monthly/quarterly statements such as Stock/Book Debts Statement/QMR etc. timely?</b>			
9	Whether there are instances of frequent bouncing of cheques issued by or deposited by the borrower, if so, action taken.			
10	<b>Does the account reveal any unusual transactions during the month, which are inconsistent with nature/size of operations of the borrower company?</b>			
11	<b>(a) Any sign if cant changes in the business profile of the borrower/ other developments.</b>			
	<b>(b) Insurance of Securities</b> Whether all securities (Prime and collateral) charged to bank is fully insured covering all the risks, as per terms of sanction/extant guidelines. Please submit Period of insurance & sum insured.	Valid upto    Amount		
	<b>(c) End Use of the Fund:</b> Whether end use of fund sensured YES/NO: (details thereof )			
	(d) Brief Details of securities charged to the Bank along with their market value/present value as on date & date of inspection of security): 1. Primary Security: _____  2. Collateral security: _____ _____			
12	Whether the account has been restructured in the past and if so whether the terms of restructure have been fully implemented and borrower is making repayments as per revised scheme/schedule.	When Restructured		
		Date of Implementation		
		Performances of Payment of Inst./Intt./as per revised schedule indicate over dues, if any.		
13	Whether the account requires Rescheduling, Rephasement/Restructuring/Nursing If so, please specify, actions taken.			
14	Developments / action taken to address / rectify outstanding / pending issues / matter pointed in the PSR clearance/Internal Inspection/Audit/Concurrent Audit etc. (NB: Please attach sheet if required)	Issues	Action taken/ Proposed	Expected date of resolution/ rectification

15	<b>Accounts Causing Concern/ Likely to slip NPA, as per RBI's prudential norms.</b> Due to reasons like A/C out of order /over dues, unadjusted, persistent, over dues, Ad-hoc / Excess beyond due date/ not adjusted, O/S Short Term Loans beyond due date not adjusted, shortfall in DP, delay in project implementation (Date of commencement of project – specify delay in months, with reasons thereof and actions taken / proposed) accounts remaining beyond due date of review (over 90 days). No of account to slip due to technical reasons; any other serious developments, which are causing concern / or are likely to cause concern (please specify concerns / reasons, with actions taken/proposed strategy to prevent slippage)																																													
16	Details of coverage under CGTMSE, if eligible under credit guarantee scheme:  Date of registration/start of guarantee  Guarantee approved amount  Premium paid regularly Yes/No & paid up to																																													
17	Date of NPA marking with Trust (In case of NPA A/C)  Whether claim lodged with CGTMSE  Date of lodgment of claim  Present status of claim receivable/received from CGTMSE																																													
18	<b>Recovery Proceedings:</b>  (i)Whether RC/Legal suit/SARFAESI etc. initiated (ii)Date of legal proceedings (iii)Present status of recovery in case of RC File/Suit Filed/SARFAESI-2002 etc. (In case of Suit Filed/SARFAESI, mention the stage, such as, decree, issuance of notice, possession, auction etc.) (iv)Present status of collateral/primary securities along with their market value/realizable value. (v)Date of last inspection of the unit by the branch manager.																																													
19	<b>Status of CERSAI Registration</b>																																													
20	<b>In case of Vehicle RTO Registration with bank clause</b>																																													
21	<b>Details of Security</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"></th> <th style="text-align: center;">Description</th> <th style="text-align: center;">Value and basis of valuation</th> <th style="text-align: center;">Date of valuation/CR</th> </tr> </thead> <tbody> <tr> <td>Primary Security</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Collateral Security</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Personal Guarantee</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Third party Guarantee</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;"><b>For UPGB</b></td> <td></td> <td style="text-align: center;"><b>For Others</b></td> </tr> <tr> <td><b>Collateral Coverage (%)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Whether security has been properly created and have enforceable rights to recover Bank's Dues in case of default and same has been entered in CBS ? if No, lapses observed should be mentioned</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Whether security has been correctly created in CBS/Finacle?</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Whether any Subsidy/Guarantee amount/ Insurance receivables is receivable?</td> <td></td> <td></td> <td></td> </tr> <tr> <td>If Yes, whether Subsidy Guarantee amount/ Insurance Receivables received/ claimed?</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Description	Value and basis of valuation	Date of valuation/CR	Primary Security				Collateral Security				Personal Guarantee				Third party Guarantee					<b>For UPGB</b>		<b>For Others</b>	<b>Collateral Coverage (%)</b>				Whether security has been properly created and have enforceable rights to recover Bank's Dues in case of default and same has been entered in CBS ? if No, lapses observed should be mentioned				Whether security has been correctly created in CBS/Finacle?				Whether any Subsidy/Guarantee amount/ Insurance receivables is receivable?				If Yes, whether Subsidy Guarantee amount/ Insurance Receivables received/ claimed?				
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<b>Collateral Coverage (%)</b>																																														
Whether security has been properly created and have enforceable rights to recover Bank's Dues in case of default and same has been entered in CBS ? if No, lapses observed should be mentioned																																														
Whether security has been correctly created in CBS/Finacle?																																														
Whether any Subsidy/Guarantee amount/ Insurance receivables is receivable?																																														
If Yes, whether Subsidy Guarantee amount/ Insurance Receivables received/ claimed?																																														

22	<b>I Irregularities reported in Audit/inspection in last one year</b>		
	<b>Report</b>	<b>Observations by the Auditor</b>	<b>Replies &amp; Compliance by the Branch and present status dropped/Outstanding</b>
1.	Internal Audit Report dated.....		
2.	Credit Audit Report dated.....		
3.	Stock Audit		
4.	Other Audit Reports (Please furnish names and dates)		
5.	Qualifications if any, in Auditors report as on 31 <sup>st</sup> March		
6.	Any other relevant information.		

Branch Manager's Certification:

We here by certify that:

- (i) All irregularities / quarries pointed out in internal inspection/external inspection/LFAR/Concurrent Audit /PSR in respect of above facility have been fully rectified.
- (ii) Interest/Other charges have been accounted for & fully recovered as per Bank norms.
- (iii) Primary/collateral security has been obtained as per scheme & properly charged in accordance with the Bank's guidelines.

Signature of the Branch Head: -.....

Name of the Branch Head: - .....

Designation.....

Date:

Place:

Observations/remarks of the Regional Manager in the report for the month of \_\_\_\_\_

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**Regional Manager**

Date:

**FORMATFORCREDITAUDITREPORT**

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(For all fresh & existing accounts with sanctioned limit (funded & non-funded of Rs.10 lacs and above)

Branch:

Region:

A/C No.

Credit audit report as on \_\_\_\_\_ (Date of Credit Audit)

01	Period of Credit Audit (*see note)							
02	Name of the party							
03	Constitution							
04	Address							
05	Date of establishment/incorporation							
06	Dealing with us since							
07	Line of activity							
08	Industry							
09	Asset Classification							
10	Date and authority of first sanction.							
11	Date and authority of last sanction/review.							
12	Total Exposure (Fund base + Non Fund based)				To the party			
					To the Group			
13	<b><u>Sanctioned limits:</u></b>							
	Facility	Limit	O/S Bal.(₹)	Max. Bal. during credit audit period	Min. Bal. during credit audit period	Overdue	Overdue since when (date)	Interest applied upto
14.	Is there any modification in the last sanction/review, if yes details							
15	Comments on the appraisal and assessment of limits							
	Whether the terms and conditions of sanction have been stipulated as per bank's norms							
	Comments on financial performance of the party vis-s-vis estimates							
	Any other comment on Appraisal/Assessment of facilities.							
16	Whether all the terms and conditions of the sanctions complied with, if not, details thereof with present status.							
17	Comments on disbursements of facilities (applicable for fresh sanctions/any increase). Whether disbursements allowed as per the terms of sanction.							
18	Securities stipulated (Primary & Collateral) as per sanction.							

Securities		Whether valid charge created	Remarks
Name	Value (₹)		
19.	Documentation		
	Date of documentation /last LAD		
	Whether documents duly verified.		
	Details of unrectified irregularities pointed out.		
	Whether charge filed with ROC for primary as well as collateral securities in case of a company, if not details with present status.		
20	Conduct of the account		
	Interest serviced up to (month/year)		
	Whether cheques returned with financial reasons during the credit audit period, if yes No. of cheques returned during the last-3-months.		
	Whether frequent excess drawing is allowed in the account.		
	Whether turnover in the account is in order. Turn Over match with the nature of activity Whether account shown any adverse feature		
21	Submission of return/statement by the party		
	Stock statement/statement of book-debts submitted upto (month/year) & Verified		
22	Insurance	Whether duly insured	
	Primary securities		
	Collateral securities		
23	Inspection of securities		
	Whether pre-sanction carried out and report kept on records.		
	Whether post-disbursement inspection is being carried out as per bank's guidelines.		
	Date of last inspection of primary securities.		
	Date of last inspection of collateral securities		
	Details of major irregularities noticed during the course of inspection of securities.		
24(a)	Details of adhoc facilities outstanding as on the date of credit audit, if any		
	Date of sanction of adhoc and authority		
	Facility and amount		
	Security		
	Period for which adhoc sanctioned		

	Present status					
24(b)	Project verification report and observation of the credit auditors.					
24(c)	Whether projects figures are matched with Balance Sheet					
	Balance Sheet shows all financials satisfactory					
	Operation of account matches with Balance Sheet					
24(d)	PSR submitted on PSR cleared on Query if any Replied on					
24(e)	Status of CERSAI Registration					
25	Accounts of group/sister/associate concern.					
	Name	FB limit	NFB Limit	Banking arrangement	Asset classification	Remarks of Credit Auditor on the a/c.
26	Details of unrectified irregularities pointed out at previous Inspection/Audit					
	a)					
	b)					
	c)					
	d)					
27	Warning signals, if any noticed by the Credit Auditors and Suggestions for remedial measures.					
	a)					
	b)					
	c)					

Name of Credit Auditor:

Signature

E.C.No.

Posted at Branch

Region

Dated

**Note:** Period of Credit Audit for fresh accounts commence from the date of sanction. For accounts which have already been brought under credit audit, the period would commence from the previous credit audit date.

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**Uttar Pradesh Gramin Bank Regional Office,**

Ref  
no. \_\_\_\_\_  
\_\_\_\_\_

Dated:

**RECTIFICATION CERTIFICATE**

Reg: Credit Audit of our Branch—Report dated \_\_\_\_\_ By Mr. \_\_\_\_\_

Loan A/C No. \_\_\_\_\_

We here by certify that:

A. All irregularities pointed out in Credit Audit Report have been attended to and rectified.

OR

B. All irregularities pointed out in Credit Audit report which could not be rectified at the Branch level itself have been fully rectified.

Yours faithfully,

(Branch Manager)

Branch\_

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Ref  
No. \_\_\_\_\_  
\_\_\_\_\_

Dated

We certify that all irregularities mentioned in the Credit Audit Report have been rectified by the Branch. Regional Manager Region.

HO/01/ADV/2025-26/...  
The Regional Manager,  
Uttar Pradesh Gramin Bank  
Region: \_\_\_\_\_

Dt- / /20..

Dear Sir,

**Re-Credit Audit Report.**

It is to inform that I have conducted Credit Audit of the Branch..... on  
dated.....  
as  
details mentioned hereunder. One copy of the report has been handed over to the Branch  
Manager for compliance and Rectification of irregularities pointed out in the report within 7  
days.

You are requested to arrange to obtain RC from Branch and submit to the Chief Manager (Credit) at Head office Raebareli with your certificate.

Sr. No.	Account Number	Name of Account

**Yours faithfully,**

(                      )  
**Senior Manager/Manager/Official (Credit)**

**CC-**, To The Chief Manager (Credit), Uttar Pradesh Gramin Bank  
(                      )  
**Senior Manager/Manager/Official Credit**

## UTTAR PRADESH GRAMIN BANK

Region: \_\_\_\_\_

Branch: \_\_\_\_\_

**Review Proposal of Loan Accounts-Term Loan**

Limit-Minimum-Above 1.00 Lac

Maximum.-Irrespective of Limit-Retail Loan, Tractor Loan other direct Agri.

Loan Maximum- Up to 10.00 Lac for SSI, Allied Agri. &amp; General Term Loan

खातेदार/फर्म का नाम \_\_\_\_\_

स्थायी पता: \_\_\_\_\_ व्यवसाय का पता: \_\_\_\_\_

ऋण सेक्टर: \_\_\_\_\_ ऋण उद्देश्य/व्यवसाय एवं बैंक योजना: \_\_\_\_\_

व्यवसाय स्थापना दिनांक: \_\_\_\_\_ खाता संख्या: \_\_\_\_\_

स्वीकृत क्रमांक: \_\_\_\_\_ स्वीकृत दिनांक: \_\_\_\_\_ स्वीकृत राशि: \_\_\_\_\_ वर्तमान अवशेष राशि: \_\_\_\_\_ आस्ति वर्गीकरण: \_\_\_\_\_

स्वीकृत प्राधिकारी का नाम एवं पद: \_\_\_\_\_ अंतिम समीक्षा दिनांक: \_\_\_\_\_

माजिन: \_\_\_\_\_ ब्याज दर: \_\_\_\_\_

पुर्णभुगतान तालिका एवं अवधि: \_\_\_\_\_ किश्तसं: \_\_\_\_\_ राशि: \_\_\_\_\_

मासिक / त्रैमासिक/अर्धवार्षिक/वार्षिक \_\_\_\_\_ कब से देय: \_\_\_\_\_ अवधि: \_\_\_\_\_

अतिदेय राशि: \_\_\_\_\_ किश्तसंख्या: \_\_\_\_\_ ब्याज: \_\_\_\_\_

प्रतिभूतियों का विवरण: \_\_\_\_\_ डी०पी० नोट राशि: \_\_\_\_\_ दिनांक: \_\_\_\_\_

हाइपोथेकेशन: \_\_\_\_\_ राशि: \_\_\_\_\_ दिनांक: \_\_\_\_\_

जमानतदार:

नाम-

हैसियत-वर्तमान हैसियत-

1-

2-

एल.ए.डी दिनांक: \_\_\_\_\_

प्राथनिक/ऋण से सृजित प्रतिभूति वर्तमान मूल्य: \_\_\_\_\_ निरीक्षण की तिथि: \_\_\_\_\_

वाहन के मामले में रजिस्ट्रेशन की स्थिति: \_\_\_\_\_

बीमा धनराशि: \_\_\_\_\_ कब तक वैध है: \_\_\_\_\_

सम्पार्शक प्रतिभूति प्रकार/विवरण/वर्तमान मूल्य ₹ \_\_\_\_\_ निरीक्षण की तिथि: \_\_\_\_\_

बीमा धनराशि: \_\_\_\_\_ कब तक वैध है: \_\_\_\_\_

मूल्यांकन दिनांक: \_\_\_\_\_ राशि ₹ \_\_\_\_\_

CERSAI के अंतर्गत रजिस्ट्रेशन की स्थिति: \_\_\_\_\_

अनुदान राशि (यदि हो तो) ₹ \_\_\_\_\_ ब्लाकइनपीरियड \_\_\_\_\_ अनुदान समायोजन की तिथि: \_\_\_\_\_

क्रेडिट गारंटी में पंजीकरण (यदि हो तो) तिथि \_\_\_\_\_ गारंटी हेतु अनुमोदित राशि: \_\_\_\_\_

आन्तरिक निरीक्षण/कान्करेन्ट आडिटर/बाहरी निरीक्षण/पी.एस.आर. में बतायी गयी अनियमिततायें एवं उनका निराकरण-

आपत्तियां/कमियाँ	शाखा द्वारा दी गयी कार्यवाही

खाते में अतिदेय होने की स्थिति में शाखा द्वारा की गयी कार्यवाही एवं खाता नियमित होने की रणनीति-कोईअन्य सूचना, जो उपयोगी हो-

- नवीनतम बैलेन्स शीट (दिनांक-.....) के सभी मदों जैसे पूँजी, देनदारियों, उधार, विविधदेनदार आदि का अंकलन/जाँच कर ली गयी है तथा संतोषजनक पाया गया है।
- उपरोक्त क्रण की सभी स्वीकृत शर्तों का पूर्णतया पालन किया गया है।
- क्रण दस्तावेज पूर्ण रूप से भरे एवं विधिक रूप में निष्पादित किये गये हैं।
- प्रतिभूतियों पर सभी तरह का प्रभार (बंधक, ग्रहणाधिकार डाइपोथेकेशन आदि) बैंक नियमानुसार किया गया है एवं विधिक रूप से पूर्ण है।
- क्रण से सुजित अस्तियों एवं सम्पाद्धिक प्रतिभूतियों का निरीक्षण दिनांक .....को किया गया है। पूर्व में दर्शायी गयी वर्तमान मूल्य निरीक्षण उपरान्त ही लिखा गया है।
- परियोजना/ क्रियाकलाप संतोषजनक ढंग से चल रही है।
- उपरोक्त आकड़ों एवं विवरण के आधार पर क्रण स्वीकृत सीमा दिनांक .....अवशेष .....को अगले 12माह हेतु पूर्व स्वीकृत शर्तों के आधार पर नवीनीकृत किया जाता है/ करने की अनुशंसा की जाती है।

#### अथवा

- उपरोक्त विवरण के आधार पर क्रण स्वीकृत सीमा दिनांक .....अवशेष रु ...../- को अगले ०३ माहके लिए तकनीकी समीक्षा (Technical Review) की जाती है।
- नोट-व्यवसायिक प्रतिष्ठानों हेतु स्वीकृत क्रणों को मामलों में जहाँ नियमतः तुलन एवं अन्य वित्तीय दस्तावेज लेना अनिवार्य है वहाँ पर अवश्य ही प्राप्त किये जाये। परन्तु यदि किन्हीं कारण से इनकी उलझता नहीं हो पाती है तो ऐसे खातों की ३ माह के लिए तकनीकी रूप से समीक्षा की जानी चाहिए।

दिनांक-

हस्ताक्षर

शाखा प्रबन्धक /समीक्षा अधिकारी

## Annexure-V(B)

### UTTAR PRADESH GRAMIN BANK

Region: \_\_\_\_\_

Branch: \_\_\_\_\_

#### Review Proposal of Loan Accounts-Cash Credit/Saral Vayapar /Overdraft

Limit-Minimum-Above 1.00 Lac

Maximum-Irrespective of Limit-Saral Vyapayar & Overdraft

Maximum-Upto 10.00 Lac for SSI Limit, Allied Agricultural & General Cash Credit

खातेदार/फर्म का नाम: \_\_\_\_\_

स्थायी पता: \_\_\_\_\_ व्यवसाय का पता: \_\_\_\_\_

ऋण सेक्टर: \_\_\_\_\_ ऋण उद्देश्य/व्यवसाय एवं बैंक योजना: \_\_\_\_\_

व्यवसाय स्थापना दिनांक: \_\_\_\_\_ खाता संख्या: \_\_\_\_\_

स्वीकृत क्रमांक: \_\_\_\_\_ स्वीकृत दिनांक: \_\_\_\_\_ स्वीकृत राशि: \_\_\_\_\_ वर्तमान अवशेष राशि: \_\_\_\_\_ आस्ति वर्गीकरण: \_\_\_\_\_

स्वीकृत प्राधिकारी का नाम एवं पद: \_\_\_\_\_ अंतिम समीक्षा दिनांक: \_\_\_\_\_

मार्जिन: \_\_\_\_\_ ब्याज दर: \_\_\_\_\_

पुर्णभुगतान तालिका एवं अवधि: \_\_\_\_\_ किश्तसं: \_\_\_\_\_ राशि: \_\_\_\_\_

मासिक / त्रैमासिक/अर्धवार्षिक/वार्षिक \_\_\_\_\_ कब से देय: \_\_\_\_\_ अवधि: \_\_\_\_\_

अतिदेय राशि: \_\_\_\_\_ किश्तसंख्या: \_\_\_\_\_ ब्याज: \_\_\_\_\_

प्रतिभूतियों का विवरण: \_\_\_\_\_ डी०पी० नोट राशि: \_\_\_\_\_ दिनांक: \_\_\_\_\_

हाइपोथेकेशन: \_\_\_\_\_ राशि: \_\_\_\_\_ दिनांक: \_\_\_\_\_

परिचालन सम्बन्धी आंकड़े-

1- अधिकतम अवशेष

2- न्यूनतम अवशेष

3- कुल जमा (क्रेडिट)

4- ओवर ड्रू राशि-

5- समीक्षा अवधि के दौरान खाते में कितनी बार अवशेष राशि ऋण सीमा से अधिक रही..... तथा कितनी अवधि पश्चात

समायोजित हुई (विवरण दें).....

6- समीक्षा अवधि के दौरान खाते में कितनी बार अस्थायी रूप से सीमा (Adhoc Limit) बढ़ायी गयी-

एवं कितने दिनों बाद समायोजित हुई (विवरण  
दें).....

जमानतदार:

नाम - हैसियत-

वर्तमान हैसियत-

1-

2-

एल.ए.डी दिनांक:

प्राथमिक/ऋण से सृजित प्रतिभूति वर्तमान मूल्य : \_\_\_\_\_ निरीक्षण की तिथि \_\_\_\_\_

वाहन के मामले में रजिस्ट्रेशन की स्थिति \_\_\_\_\_

बीमा धनराशि \_\_\_\_\_ कब तक वैध है \_\_\_\_\_

सम्पार्शिक्षक प्रतिभूति प्रकार/विवरण/वर्तमान मूल्य ₹ ----- निरीक्षण की तिथि -----

बीमा धनराशि \_\_\_\_\_ कब तक वैध है \_\_\_\_\_

मूल्यांकन दिनांक: \_\_\_\_\_ राशि ₹ -----

CERSAI के अंतर्गत रजिस्ट्रेशन की स्थिति: \_\_\_\_\_

अनुदान राशि (यदि हो तो) ₹ \_\_\_\_\_ ब्लाक इन पीरियड \_\_\_\_\_ अनुदान समायोजन की तिथि \_\_\_\_\_  
क्रेडिट गारंटी में पंजीकरण(यदि हो तो) तिथि \_\_\_\_\_ गारंटी हेतु अनुमोदित राशि \_\_\_\_\_

आन्तरिक निरीक्षण/कान्करेन्ट आडिटर/बाहरी निरीक्षण/पी.एस.आर. में बतायी गयी अनियमितताएं एवं उनका निराकरण-

आपत्तियां/कमियाँ	शाखा द्वारा दी गयी कार्यवाही

खाते में अतिदेय होने की स्थिति में शाखा द्वारा की गयी कार्यवाही एवं खाता नियमित होने की रणनीति-  
कोई अन्य सूचना, जो उपयोगी हो-

- नवीनतम बैलेन्स शीट (दिनांक-.....) के सभी मदों जैसे पूँजी, देनदारियों, उधार, विविधदेनदार आदि का आंकलन/जाँच कर ली गयी है तथा संतोषजनक पाया गया है।
- उपरोक्त ऋण की सभी स्वीकृत शर्तों का पूर्णतया पालन किया गया है।
- ऋण दस्तावेज पूर्ण रूप से भरे एवं विधिक रूप में निष्पादित किये गये हैं।
- प्रतिभूतियों पर सभी तरह का प्रभार (बंधक, ग्रहणाधिकार डाइपोथेकेशन आदि) बैंक नियमानुसार किया गया है एवं विधिक रूप से पूर्ण है।
- ऋण से सृजित अस्तियों एवं सम्पाद्धिक प्रतिभूतियों का निरीक्षण दिनांक .....को किया गया है। पूर्व में दर्शायी गयी वर्तमान मूल्य निरीक्षण उपरान्त ही लिखा गया है।
- परियोजना/ क्रियाकलाप संतोषजनक ढंग से चल रही है।
- उपरोक्त आकड़ों एवं विवरण के आधार पर ऋण स्वीकृत सीमा दिनांक ..... अवशेषर .....को अगले 12माह हेतु पूर्व स्वीकृत शर्तों के आधार पर नवीनीकृत किया जाता है/ करने की अनुशंसा की जाती है।
- अथवा
- उपरोक्त विवरण के आधार पर ऋण स्वीकृत सीमा दिनांक .....अवशेष रु ...../- को अगले ०३ माहके लिए तकनिकी समीक्षा (Technical Review) की जाती है।

नोट-व्यवसायिक प्रतिष्ठानों हेतु स्वीकृत ऋणों को मामलों में जहाँ नियमतः तुलन एवं अन्य वित्तीय दस्तावेज लेना अनिवार्य है वहाँ पर अवश्य ही प्राप्त किये जाये। परन्तु यदि किसी कारण से इनकी उलझता नहीं हो पाती है तो ऐसे खातों की ३ माह के लिए तकनीकी रूप से समीक्षा की जानी चाहिए।

दिनांक-

हस्ताक्षर

शाखा प्रबन्धक /समीक्षा अधिकारी

# FORMAT-VI UTTAR PRADESH GRAMIN BANK

## Review Proposal of Loan Accounts-Term Loan & Cash Credit Accounts

Term Loan Accounts—Above Rs.10.00 lacs-Incase of SME, Allied Agri.& General Term Loan not covered under Annexure (VA).

Cash Credit Accounts—Above Rs.10.00 lacs-Incase of SME, Allied Agri. & General Cash Credit not covered Under Annexure (VB).

Branch: _____	Submitted to: _____
Region: _____	Reference No _____
	Date of Submission: _____

A/C No: \_\_\_\_\_

1. Name of the Borrower & Address: \_\_\_\_\_

Telephone/Mobile: \_\_\_\_\_

2. Location of

Factory: \_\_\_\_\_

Telephone/Mobile: \_\_\_\_\_

3. Sector of

Advance

:S.S.I/SME/OTHER

A. Date of

incorporation/Establishment: \_\_\_\_\_

B. Registration & License No : \_\_\_\_\_

5. Line of Activity & Products

Manufactured: \_\_\_\_\_

6. Dealing with the Bank since : \_\_\_\_\_

7. Net worth as on : \_\_\_\_\_

Share/Partner's capital :Rs. \_\_\_\_\_

Reserve & Surplus :Rs. \_\_\_\_\_

Less: Misc. Exps & Loss :Rs. \_\_\_\_\_

NETWORTH :Rs. \_\_\_\_\_

WORTH as on \_\_\_\_\_

8. Name(S): Proprietor: 1. Rs. \_\_\_\_\_

Partner's/Directors: \_\_\_\_\_ Rs. \_\_\_\_\_

: \_\_\_\_\_ Rs. \_\_\_\_\_

Guarantors : \_\_\_\_\_ Rs. \_\_\_\_\_

: \_\_\_\_\_ Rs. \_\_\_\_\_

: \_\_\_\_\_ Rs. \_\_\_\_\_

9. Present commitments with us Date of last Sanction/Review Authority Name & Post----- Name of facility Limit Rs. Assets Classification-----	A. Yield on the A/C: % From-----to----- B. Document in order: Yes/NO C. Terms & Conditions of Sanction complied with: Yes/No
---	---

10. Experiences/Training in the line of Activity:

11. Commitment with other Bank, if any/Financial Institution:

<u>Name of the Bank</u>	<u>Nature of Facility</u>	<u>Security</u>	<u>Limit</u>
-------------------------	---------------------------	-----------------	--------------

Overdue: if any

12. Details of Associate Concerns:

<u>Name Business</u>	<u>Commitment with us /Other Bank</u>
----------------------	---------------------------------------

13. Conduct of Account of Associate Concerns:

14. Deposit Relationship/Ancillary Business:

15. Backward & Forward Linkage/Availability of Raw materials/Marketing:

16. Adverse Comments of Inspecting Officers & Auditor as on -----	Comments of the Branch Manager

17. Operational details of existing credit facilities for the immediately preceding two completed Half years.

**A. Term Finance:**

1. Date of availment/disbursement.
2. Whether installments and interest are regularly paid as per schedule.  
(If not, please indicate the extent of arrears and the reason for the same) Also indicate how the borrower proposes to pay the arrears.
3. Interest earned (from to) -----
4. Present outstanding as on ) -----

**B. Working Capital:**

Operations in the accounts for the period (from-----

to -----  
)

1. Interest earned
2. Maximum Balance
3. Minimum Balance
4. Average Balance

5. Turnover in the account (Total of all Credit Entries).
6. Present Outstanding (as on\_\_\_\_) Value of security Rs.\_\_\_\_\_ Drawing power Rs.\_\_\_\_\_
7. Whether Cheques drawn in account are returned unpaid for financial reasons? If yes, No and amount
18. Details of securities:(Primary & Collateral) (Amt.in lacs)
- | Nature of securities | Value at the time of sanction | Value as on date (Latest) |
|----------------------|-------------------------------|---------------------------|
|                      |                               |                           |
|                      |                               |                           |
|                      |                               |                           |
- Status of CERSAI registration\_\_\_\_\_ Status of Insurance: Primary: Amount\_\_\_\_ valid up to  
 Collateral: Amount\_\_\_\_\_ valid up to\_\_\_\_\_
19. Comments on Conduct of Account:  
 Whether turnover in the account is satisfactory & as per Balance Sheet: Yes/No  
 (If not, give reason/observation)

**TERMS & CONDITIONS OF PROPOSED FACILITY:** (classify under 03 broad categories viz. Term Finance-Funded. Term finance Non Funded, Working Capital. Mention under each facility, Security, Margin, period of Interest, Repayment, and Special, if any)

Existing

Proposed Limit:

Total exposure of the party Rs.\_\_\_\_\_

Margin:

Security:

Documents:

Other terms & Conditions

**MODIFICATION IN TERMS & CONDITIONS /VARIATIONS IN LIMITSETC.WITH PURPOSE/ JUSTIFICATIONS:**

Signature of Branch Manager

Date: Reviewing Authority

Place:

नोट-व्यवसायिक प्रतिलिपि नेतृ स्वीकृत रूपों को मामलों में जहाँ नियमतः तुलन एवं अन्य वित्तीय दस्तावेज लेना अनिवार्य है वहाँ पर अवश्य ही प्राप्त किये जाये। परन्तु यदि किन्हीं कारण से इनकी उल्लंघना नहीं हो पाती है तो ऐसे खातों की 3 माह के लिए तकनीकी रूप से समीक्षा की जानी चाहिए।

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**Analysis of Balance Sheet:****Annexure-A****Borrower's Name:**

As per Balance Sheets as on Rs. In lacs	Last two Years Actuals	Current Year Estimate	Following Year Project
<b>Current Assets</b>			
Cash and Bank Balance			
Sundry Debtors			
Inventory			
Advances to Suppliers			
Advance payment of Taxes			
Other Current Assets			
<b>A. Total Current Assets</b>			
<b>Current Liability</b>			
Short Term Borrowing from Bank			
Sundry Creditors(Trade)			
Advance Payment from Customers			
Provision for Taxation			
Other Current Liabilities			
<b>B. Total Current Liability</b>			
<b>Fixed Assets</b>			
Gross Block (Land, Building, Machinery) Construction in progress etc.			
Less: Depreciation to Date:			
<b>C. Net Block</b>			
Term Liabilities (Other than funds borrowed from groups, cos. Directors, friends, family members)			
Debentures/Redeemable pref. shares			
Term Loan from Bank's/Fin. Institutions			
Deferred Credits			
Other term Liabilities			
<b>D. Total Term Liabilities</b>			
E. Intangible Assets (like good will patents etc.)			
<b>F. CONTRIBUTION TO WORKING CAPITAL (A-B)</b>			
<b>G. CONTRIBUTION TO FIXED CAPITAL (C+E-D)</b>			
<b>H. FUND INVESTED IN BUSINESS (F+G)</b>			
<b>I. FUNDS INVESTED OUTSIDE BUSINESS- In group Cos. Non-Current Assets, Investments in Shares etc.</b>			
<b>J. FUNDS BORROWED FROM GROUP COS. DIRECTOR FRIENDS, FAMILY MEMBERS</b>			
<b>K.TANGIBLE NET WORTH (H+I-J-E)</b>			
<b>L. Total Assets (A+C+E+I)</b>			
<b>M. Total Liabilities (B+D+J+K+E)</b>			

Date:-----

Branch Manager

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**OPERATING STATEMENT:****Annexure-B****Borrower's Name:**

As per Balance Sheets for the year ending Rs. In lacs	Last two Years Actuals	Current Year Estimate	Following Year Project
1-Sales/Gross Sales			
Less: Excise Duty			
(Excluding other Income) Net sales			
2-Manufacturing Expenses (such as value of R.M. Stores, Powers & fuel consumed, direct labour, repairs and maintenance etc.)			
3-Depreciation:			
4-Net Charge(+/-)in value of opening (+) & closing (-) stock of work-in-progress			
5-Cost of Production (2+3+4)			
6-Net Charge (+/-) in value of opening (+) & closing (-) stock of finished goods			
7-Cost of Sales (5+6)			
8-Gross Profit(1-7)			
9-Interest			
10-Selling General & Admn. Expenses			
11-Opening Profit (8-9-10)			
12-Other Income			
13-Other Expenses			
14-Profit before Tax(11+12-13)			
15-Pro. For dev. Rebate Res/Invest. Allow.			
16-Net Profit before Tax(14-15)			
17-Provision for Taxes			
18-Net Profit(16-17)			
19-Div.Payable/paid-withdrawals			
20-Cash Profit(16+3+15)			
21-Funds Retained in Business (20-17-19)			
RATIO ANALYSIS			
22-Current Ratio			
23-Debt Equity Ratio			
24-Gross profit/Net Sales(%)			
25- Net Profit/Tangible Net Worth (%)			
26- Inventory/Net Sales (in No. of days)			
27-Receivable/Gross Sales(in No. of days)			

28-Sundry Creditors/Purchases (in No. of days)				
--	--	--	--	--

Prepared by \_\_\_\_\_ checked  
by \_\_\_\_\_

Date: \_\_\_\_\_

Branch Manager

### WORKING CAPITAL ASSESSMENT

**Borrowers Name:** \_\_\_\_\_ **Annexure-C**

Projected Sales for the period from \_\_\_\_\_ to \_\_\_\_\_ Rs. \_\_\_\_\_ Lacs

Classification of Industry (As per T/C norms)

	T/C assumed  Norms (Month)	Actual as at		Projected as at (Non-peak level)		Peak level projection as at	
		Holding Months	Amount	Holding Months	Amount	Holding Months	Amount
<b>1-Current Assets:</b>							
Ind. Raw materials etc.							
Other consumable spares stock in process							
Finished Goods							
Receivable domestic							
Advances to suppliers							
Other Current assets.							
<b>Total</b>							
<b>2-Current Liabilities:</b>							
Current Liabilities (Other than bank borrowings)							
Creditors for purchases							
Advance for Consumer's							

Accrued Expenses							
Statutory Liabilities							

---

Other Current Liabilities							
<b>Total</b>							
<b>3-Working Capital Gap (1-2)</b>							
4-Actual/Projected Bank borrowings							
5-Total Current Liabilities (2-4)							
6-Actual Project Networking capital(1-5)							
	Actual as at	Projected at	Peak Level Projected as at				
7-Minimum Stipulated Net Working Capital (25% Of 3 or 1 as case may be)							
8-Item 3 - Item-7							
9-Item3- Item-4							
10-Maximum Permissible Bank finance (Item 8 or Item 9 wherever is lower)							
11-Excess Borrowings (representing shortfall in Net Working Capital to be converted into working Capital Term Loan (7-6)							
<b>OR Nayak Committee Norms</b>							
1-Projected Sales							
2-Working Capital @25% of Projected Sales							
3-Less Margin 5% of the above point 1							
Bank Finance (subject to 75% of total stock value)							

Net Maximum Permissible Bank Finance:

(Higher calculative among the above) Rs.-----

Date:

Signature of Br. Manager

Annexure 4

<b>Uttar Pradesh Gramin Bank</b>					
Branch:		Region/Area Office:		Date:	
Name of Applicant: Address:					
<b>Borrower Rating Format</b> <b>(For Housing/Property Loan)</b>					
<b>(A) BORROWER'S PERSONAL DETAIL</b>					
Sl. No.	Particulars		Max. Marks	Marks Allotted	Marks Obtained
1	<b>Age:</b>		10		
	a.	21- 40		10	
	b.	>40-55		8	
c.	>55	0			
2	<b>Marital Status :</b>		5		
	a.	Married		5	
	b.	Single		3	
3	<b>No. of Dependents (excluding Spouse):</b>		5		
	a.	Zero		5	
	b.	One to two		3	
c.	>Two	2			
4	<b>Employment Status :</b>		10		
	a.	Employed in Govt./Semi-Govt.		10	
	b.	Employed in Private Sector		8	
	c.	Professional/Self Employed/Business/Farmers		6	
d.	Others	0			
5	<b>Gross Monthly Income:</b>		10		
	a.	>20000		10	
	b.	>10000-20000		8	
	c.	>5000-10000		6	
d.	<5000	4			
6	<b>Number of years in Current Employment/Business /Farming:</b>		10		
	a.	> 5 years		10	
	b.	3- 5 years		8	
	c.	1- 3 years		6	
d.	<1year	4			

...2...

### FINANCIAL DETAIL

Sl. No.	Particulars	Max. Marks	Marks Allotted	Marks Obtained
7	Percentage of Margin by Individual	10		
	a. >50%		10	
	b. 25%-50%		8	
	c. Stipulated Margin		6	
8	d. < Stipulated Margin		0	
	Value of Land, Building (Proposed Security)	10	10	
	a. >100%		8	
	b. >50% to 100%		6	
9	c. <50%			
	Liabilities: Bank Loans & Others Loans	10		
	a. No Liability		10	
	b. Liability with No Default		8	
10	c. Liability with Default		0	
	Age(for existing construction only)	10		
	a. < 5 years		10	
	b. >5 to 10 years		0	
11	c. >10 to 20 year			
	d. > 20 year			
	Total Deduction including proposed loan instalment	10		
	a. <50%		10	
11	b. >50%to 60%		8	
	c. >60%		0	

### SCORE

Grading Scales	Car Loan
A	61- 100
B	41- 60
C	21- 40
D	Upto20

**Note:** If any of the parameters are not applicable as per the scheme no score should be awarded against such parameters. In such cases the aggregate marks/score should be divided by the total applicable marks & then should be grossed to 100 marks.

Credit Officer

Branch Manager

Format 2						
<b>Uttar Pradesh Gramin Bank</b>						
<b>Credit Rating System for SME/Retail Traders/Indirect Ag. Advances Schemes</b>						
Branch:		Region:		Date:		
Name of Applicant:						
Address:						
Sl. No.	Particulars		Max. Marks	Marks Allotted	Marks Obtained	
1	<b>Net worth of the borrower:</b>		10			
(a)	More than 2 times of Loan:			10		
(b)	More than 1 time to 2 times of Loan			5		
(c)	Less than 1 times of Loan			3		
2	<b>Relationship with our Bank:</b>		5			
(a)	Over 3 years			5		
(b)	<3 years			4		
(c)	New Customer			3		
3	<b>Experience of the borrower in business activity for which loan is obtained :</b>		5			
(a)	More than 5 years			5		
(b)	More than 1 year to 5 years			4		
(c)	Less than 1 year			3		
4	<b>Market Potential for products to be sold by the borrower:</b>		5			
(a)	Favourable			5		
(b)	Moderate			3		
(c)	Unfavourable			0		
5	<b>Details of Loan availed by the borrower:</b>		5			
(a)	Loans previously availed from our banks & timely repaid			5		
(b)	Loans previously availed from other banks & timely repaid			4		
(c)	Delayed in repayment of Loans obtained by our Bank/Other Banks/F I's			0		
6	<b>Achievement of Projected Sales Turnover:(For Existing A/Cs)</b>		10			
(a)	If achieved Target>90-100%			10		
(b)	If achieved Target>80-90%			8		
(c)	If achieved Target>50-80%			6		
(d)	If achieved Target upto50%			0		

...2...

Credit Rating System for SME/Retail Traders/Indirect/Ag. Advances Schemes				
Sl. No.	Financial Parameters	Max. Marks	Marks Allotted	Marks Obtained
7	<b>Achievement of Projected Income:(For Existing A/Cs)</b>	10		
(a)	If achieved Target >90-100%		10	
(b)	If achieved Target >80-90%		8	
(c)	If achieved Target >50-80%		6	
(d)	If achieved Target up to 50%		0	
8	<b>Operation in the account:(For Existing A/Cs)</b>	5		
(a)	Routing of entire Sales Proceeds through A/C		5	
(b)	Partial Routing of Sales Proceeds		3	
(c)	Not Routing of Sales Proceeds		0	
9	<b>Compliance of terms &amp; condition of Sanction :(For Existing A/Cs)</b>	10		
(a)	Full Compliance		10	
(b)	Partial Compliance		5	
(c)	Non-compliance		0	
10	<b>Submission of Stock Statements :(For Existing A/Cs)</b>	10		
(a)	Submission regular throughout the year		10	
(b)	Delayed in 3 occasions		5	
(c)	Delayed in more than 3 occasions		0	
11	<b>Current Ratio:(For Existing &amp; New A/Cs)</b>	5		
(a)	Above 1.33		5	
(b)	Below 1.33		3	
(c)	Below 1.17		0	
12	<b>Debt Equity Ratio:(For Existing &amp; New A/Cs)</b>	5		
(a)	2.00 & Below		5	
(b)	>2.00 up to 4.00		3	
(c)	>4.00		0	
13	<b>DSCR incase of Term Loan:(For Existing &amp; New A/Cs)</b>	5		
(a)	>2.00 to 1.50		5	
(b)	<1.50 to 1.00		3	
(c)	<1.00		0	
14	<b>Security Coverage Ratio (Primary + Collateral) : (For Existing &amp; New A/Cs)</b>	10		
(a)	If Security coverage ratio is 100% & above		10	
(b)	If coverage below 100% upto 50%		8	
(c)	If coverage below 50% to 25%		5	
(d)	If coverage below 25%		0	

**Note:** 1 If any of the parameters are not applicable as per the scheme, no score should be awarded  
 2 The parameters relating to achievement under projected sales, projected income, operation in the account compliance of terms & condition of sanction, submission of stock statement should be  
 3 Credit Rating Score:

Grade	Marks Awarded
A+	100-91
A	90-81
B+	81-71
B	70-56
C	21-55
D	20&below

Credit Officer                          Branch Manager

Format 3					
<b>Uttar Pradesh Gramin Bank</b>					
<b>Credit Rating System for Education Loan Schemes</b>					
Branch:		Region:	Date:		
<b>Name of Student:</b>					
<b>Name of the Parent/Guardian:</b>					
Sl. No.	Particulars		Max. Marks	Marks Allotted	Marks Obtained
(A)	<b>Age in Years</b>		9		
(a)	16 upto 22			6	
(b)	Over 22 & upto 28			9	
(c)	Over 28			2	
(B)	<b>Educational Qualification proposed to be acquired of Bank Loan</b>		9		
(a)	Doctorate & Other Professional Qualification			9	
(b)	Graduation/ Post-Graduation			4	
(C)	<b>Mode of Admission</b>		6		
(a)	Through merit/entrance test			6	
(b)	Not Through merit/entrance test			2	
<b>PARENT'S/GUARDIAN'S PARTICULARS</b>					
(A)	<b>PERSONAL DETAILS</b>				
i)	<b>Age in Years</b>		10		
	35-40			10	
	46-50			5	
	51-60			3	
	Below 35 and above 60		2		
ii)	<b>No. of Dependents (excluding Spouse &amp; Children)</b>		10		
(a)	Nil			10	
(b)	One to Two			5	
(c)	>Two			2	
(B)	<b>Employments Details</b>		10		
i)	<b>Employment Status</b>				
(a)	Employed in Govt./Semi-Govt.			10	
(b)	Employed in Private/Renowned Organisation			5	
(c)	Professional & Self-Employed/Farmers/Businessmen			3	
(d)	Others		2		

...2...

**Credit Rating System for Education Loan Schemes**

Sl. No.	Financial Parameters	Max. Marks	Marks Allotted	Marks Obtained		
ii)	Gross Monthly Income(GMI)/Other Income	10				
(a)	Above 20000		10			
(b)	10000-19999		5			
(c)	5000-9999		3			
(d)	Below 5000		2			
(C)	FINANCIAL DETAILS (In case of loans above Rs. 4.00 lakhs for point no i, ii & iii)					
i)	% of Margin					
	Studies abroad	Studies in India	10			
(a)	More than 40%	More than 30%		10		
(b)	More than 15%-40%	More than 5%-30%		5		
(c)	Upto 15%	Upto 5%		2		
(d)	Less than stipulated Margin	Less than stipulated Margin		0		
ii)	Value of Mortgage of Land & Building & Liquid Securities- as a percentage of Loan amount					
(a)	Equal to 100% & above	10	10			
(b)	>75-Less than 100		5			
(c)	>50-upto 75		3			
(d)	Upto 50		2			
iii)	Liabilities-(Bank Loans & Other Loans)	5				
(a)	No liabilities		5			
(b)	Liabilities without Default		4			
(c)	Liabilities with defaults		0			
<b>OTHER DETAILS</b>						
i)	PRESENCE OF ANY OTHER EARNING MEMBER IN	5				
	If any other member earning		5			
	No other member earning besides parent/guardian		2			
ii)	APPLICANT IS OUR ACCOUNT HOLDER	6				
(a)	YES		6			
(b)	NO		0			
<b>Note:7</b>	If any of the parameters are not applicable as per the scheme, no score should be awarded against such parameters. In such cases the aggregate marks/score should be divided by the total applicable marks & then should grossed to 100 marks.					
2	<b>Credit Rating Score:</b>					
	Grade		<b>Marks Awarded</b>			
	A		67-100			
	B		47-60			
	C		27-40			
	D		UPTO20			
Credit Officer		Branch Manager				

Format 4

**Uttar Pradesh Gramin Bank**

Branch: \_\_\_\_\_ Region/Area Office: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Applicant:

Address:

**Borrower Rating Format**

(For Personal/Car Loan)

**(A) PERSONAL DETAIL**

Sl. No.	Particulars	Max. Marks	Marks Allotted	Marks Obtained
1	<b>Age:</b>	10		
	a. 21-40		10	
	b. >40- 55		8	
	c. >55		0	
2	<b>Educational Qualification:</b>	5		
	a. Graduate & Above		5	
	b. Higher Secondary		3	
	c. <Higher Secondary		2	
3	<b>Marital Status:</b>	5		
	a. Married		5	
4	<b>No. of Dependents (excluding Spouse):</b>	5		
	a. Zero		5	
	b. One to two		3	
	c. >Two		2	

**(B) EMPLOYMENT DETAILS**

5	<b>Employment Status:</b>	10		
	a. Employed in Govt./Semi-Govt.		10	
	b. Salaries in Private Sector		8	
	c. Professional/Self-Employed/Business/Farmers		6	
6	<b>Gross Monthly Income:</b>	10		
	a. >20000		10	
	b. >10000-20000		8	
	c. >5000-10000		6	
7	<b>Number of years in Current Employment/Business /Farming:</b>	10		
	a. >5years		10	
	b. 3-5years		8	
	c. 1-3years		6	
	d. <1year		4	

...2...

**(C) FINANCIAL DETAIL**

Sl. No.	Particulars	Max. Marks	Marks Allotted	Marks Obtained
8	<b>Percentage of Margin by Individual</b>	10		
	a. >75%		10	
	b. Upto75%		8	
9	c. <75%		0	
	<b>Total Deduction including proposed Loan Instalment</b>	10		
	a. <50%		10	
10	b. >50% to 60%		8	
	c. >60%		0	
	<b>Collateral Security</b>			
11	a. >100% of Loan Amt.	10	10	
	b. <100% of Loan Amt.		0	
11	<b>Liabilities: Bank Loans &amp; Others Loans</b>	5		
	a. No Liability		5	
	b. Liability but not Default		3	
	c. Liability with Default		0	

**(D) OTHER DETAILS**

12	<b>Type of Vehicle</b>			
a.	Economy (<4lacs)	5	2	
	Mid Segment(4-6lacs)		3	
	Luxury(>6lacs)		5	
6	<b>Age of Vehicle</b>	5		
	a. New Vehicle		5	
	b. Old Vehicle within 2years		4	
	c. Old Vehicle over 2years		2	

**SCORE**

Grading Scales	Car Loan
A	61-100
B	41-60
C	21-40
D	Upto20

**Note:** If any of the parameters are not applicable as per the scheme no score should be awarded against such parameters. In such cases the aggregate marks/score should be divided by the total applicable marks & then should be grossed to 100 marks.

Credit Officer

Branch Manager

Format 5					
<b>Uttar Pradesh Gramin Bank</b>					
<b>Credit Rating System for Saral Vyapar Schemes</b>					
<b>Name of the Account:</b>					
<b>Rating for the Period:</b>					
<b>Activity:</b>					
<b>Branch:</b> _____		<b>Region:</b> _____	<b>Date:</b> _____		
Sl. No.	Particulars		Max. Marks	Marks Allotted	Marks Obtained
<b>1</b>	<b>Relationship with our Bank:</b>		10		
(a)	Over 3 years			10	
(b)	One year to 3 years			5	
(c)	Less than 1 year			2	
<b>2</b>	<b>Period of establishment of the business activity</b>		10		
(a)	Over 5 years			10	
(b)	>3 to 5 years			5	
(c)	Upto 3 years			2	
<b>3</b>	<b>Margin</b>		10		
(a)	>20%			10	
(b)	>15 to 20%			5	
(c)	Upto 15%			2	
<b>4</b>	<b>Market Potential for products to be sold by the borrower:</b>		5		
(a)	Favourable			5	
(b)	Moderate			3	
(c)	Unfavourable			0	
<b>5</b>	<b>Declaration for Annual Sales supported by Returns/Assessment of GST, Income tax, Proof of renewal of Licenses from concerned authorities etc.</b>		10		
(a)	Submitted one month before due date of review			10	
(b)	Submitted before due date of review			8	
(c)	Submitted after due date of review			2	
<b>6</b>	<b>Compliance of Terms and conditions</b>		10		
(a)	Fully complied			10	
(b)	Partial Compliance			0	

...2...																			
<b>Credit Rating System for Saral Vyapar Schemes</b>																			
<b>Sl.No.</b>	<b>Financial Parameters</b>	<b>Max. Marks</b>	<b>Marks Allotted</b>	<b>Marks Obtained</b>															
<b>7</b>	<b>Achievement of Projected Turnover:(For Existing A/Cs)</b>	<b>10</b>																	
(a)	If achieved Target 100%		<b>10</b>																
(b)	If achieved Target >75-100%		<b>8</b>																
(c)	If achieved Target <75%		<b>2</b>																
<b>8</b>	<b>Routing of Sales through us:(For Existing A/Cs)</b>	<b>10</b>																	
(a)	Above 75%		<b>10</b>																
(b)	Upto 75% but not less than 60%		<b>5</b>																
(c)	Below 60%		<b>2</b>																
<b>9</b>	<b>Servicing of interest and Other Charges:(For Existing A/Cs)</b>	<b>10</b>																	
(a)	Within 15 days		<b>10</b>																
(b)	15 to 30 days		<b>5</b>																
(c)	>30 days		<b>2</b>																
<b>10</b>	<b>Submission of Control Statements(Stock Statement as of March) :(For Existing A/Cs)</b>	<b>10</b>																	
(a)	Timely		<b>10</b>																
(b)	Delayed but within March		<b>5</b>																
(c)	Delayed beyond March		<b>0</b>																
<b>11</b>	<b>Presence of liquid securities in Total Collateral Securities</b>	<b>5</b>																	
(a)	NAV upto 100%		<b>5</b>																
(b)	NAV >50% to <100%		<b>3</b>																
(c)	NAV < 50%		<b>2</b>																
<p><b>Note:</b> 1 If any of the parameters are not applicable as per the scheme, no score should be awarded</p> <p>2 The parameters relating to achievement under projected sales, projected income, operation in the account compliance of terms &amp; condition of sanction, submission of stock statement should</p> <p>3 The parameters relating to achievement under projected sales, projected income, operation in</p>																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding-bottom: 2px;">Grade</th><th style="text-align: center; padding-bottom: 2px;">Marks Awarded</th></tr> </thead> <tbody> <tr> <td style="text-align: center; padding-top: 2px;">A+</td><td style="text-align: center; padding-top: 2px;">100-91</td></tr> <tr> <td style="text-align: center; padding-top: 2px;">A</td><td style="text-align: center; padding-top: 2px;">90-81</td></tr> <tr> <td style="text-align: center; padding-top: 2px;">B+</td><td style="text-align: center; padding-top: 2px;">81-71</td></tr> <tr> <td style="text-align: center; padding-top: 2px;">B</td><td style="text-align: center; padding-top: 2px;">70-56</td></tr> <tr> <td style="text-align: center; padding-top: 2px;">C</td><td style="text-align: center; padding-top: 2px;">21-55</td></tr> <tr> <td style="text-align: center; padding-top: 2px;">D</td><td style="text-align: center; padding-top: 2px;">20 &amp; below</td></tr> </tbody> </table>						Grade	Marks Awarded	A+	100-91	A	90-81	B+	81-71	B	70-56	C	21-55	D	20 & below
Grade	Marks Awarded																		
A+	100-91																		
A	90-81																		
B+	81-71																		
B	70-56																		
C	21-55																		
D	20 & below																		
<i>Credit Officer</i>			<i>Branch Manager</i>																

## Format 6

**Uttar Pradesh Gramin Bank**

Branch: \_\_\_\_\_ Region/Area Office: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_

Address: \_\_\_\_\_

**Borrower Rating Format**

(For Pensioner Loan)

**(A) PERSONAL DETAIL**

Sl. No.	Particulars	Max. Marks	Marks allotted	Marks Obtained
1	<b>Age:</b>	10		
	a. >60-63		10	
	b. >63-66		8	
	c. >66		0	
2	<b>Educational Qualification:</b>	5		
	a. Graduate & Above		5	
	b. Higher Secondary		3	
	c. < Higher Secondary		2	
3	<b>Having Own House</b>	10		
	a. Yes		10	
4	<b>No. of Dependents(excluding Spouse):</b>	5		
	a. Zero		5	
b.	One to two		3	
	>Two		2	

**(B) EMPLOYMENT DETAILS**

5	<b>Employment Status :Retired from</b>	10		
a. Govt./Semi-Govt.	10			
b. Private Sector	6			
d. Others	0			
6	<b>Gross Monthly Pension:</b>	10		
	a. >20000		10	
	b. >10000-20000		8	
	c. >5000-10000		6	
7	<b>Number of years in Completed after retirement :</b>	10		
	a. < 1 year		10	
	b. 1- 3 years		8	
	c. 3- 5 years		6	
	d. > 5 year		4	

...2...

### (C) FINANCIAL DETAIL

Sl. No.	Particulars	Max. Marks	Marks Allotted	Marks Obtained
8	Total Deduction including proposed Loan Instalment	10		
	a. <50%		10	
	b. >50% to 60%		8	
	c. >60%		0	
9	Guarantor's Detail	10		
	a. Salaried		10	
	b. Non Salaried		5	
10	Liabilities: Bank Loans & Others Loans	10		
	a. No Liability		10	
	b. Liability but not Default		6	
	c. Liability with Default		0	

### (D) OTHER DETAILS

12	Relationship with our Bank			
a.	> 3 years	10	10	
	1- 3 Years		6	
	< 1 year		4	

### SCORE

Grading Scales	CarLoan
A	61- 100
B	41- 60
C	21- 40
D	Upto20

**Note:** If any of the parameters are not applicable as per the scheme no score should be awarded against such parameters. In such cases the aggregate marks/score should be divided by the total applicable marks & then should be grossed to 100 marks.

Credit Officer

Branch Manager

## Annexure:5

### ANNEXURE-B

### APPENDIX-I

#### **STOCK AUDIT REPORT**

DATE OF VISIT:

BRANCH:

Name of Account:

Name of CA/ Firm:

Asset Classification:

Name of the persons  
who inspected the  
account:

Address:

Office:

Factory:

Nature & Line of  
Activity:

Position of accounts as on \_\_\_\_\_

(Amount Rs. In lacs)

Sanctioning Authority	Date of sanction/ Renewal	Nature of Facility	Limit Sanctioned	Value of security (Dt. Of Stock statement be mentioned)	Drawing Power	O/s Balance	Irregularity, if any

#### **A. UNIT VISIT**

1. Premises in which stocks/  
stores/spares are kept

2. Name of the persons contacted at

unit with designation

3. Condition of Storage viz. accessibility to godowns, open or covered, owned or rented, in the premises or in godowns/ factory of third party etc. If the premises is on rent, whether it is paid on regular basis?

4. Whether bank's name plate prominently displayed at the premises where stocks are kept?

5. Date of last Stock Statement submitted to the bank

-Date of last verification of stocks by branch

-Name of the branch officials inspecting the stocks

6. Position of Stocks - Value as per our estimates

(Rs. In lac)

Item	Quantity	Rate	Amount
Total			

7. In case of manufacturing unit:

Sheet)

(a) production capacity:

- (i) Licensed capacity
- (ii) Installed capacity
- (iii) Capacity utilized

(b) Power consumption vis-à-vis production in relation to previous year's stock

audit report/Audited Balance

(comparative position be given in  
(units in KWH/MWH /Rs. in lacs)

Electricity purchased (through grid)				Captive consumption (in house production of power/use of DG set etc.)				Power consumption per unit production		Remarks (If there is variance, then reasons for the same should also be commented upon in the Stock Audit Report).
As on _____	As on _____	As on _____	As on _____	As on _____	As on _____	As on _____	As on _____	As on	As on	
Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.			

8. Comments on the management of stocks, stores, spares, it's costing and policies relating to procurement of raw-materials.

9. Comments on Receivables/ creditors management Control Over information etc.

10. Major items which are available against cash payments only.

Advance payments made to the suppliers of Raw Material.

11. Whether stock statement submitted in time by the party and tallies with the books.

12. Inventory norms followed by the company for:

- Raw Material
- Stock in Progress
- Stores & Spares
- Finished Goods

13. Reasons for abnormal increase / decrease in inventory levels, if any.

14. Whether proper internal control/ verification of stocks is being done by the Management.

15. Detail of stocks/spares and/or book debts (in the case of credit facilities against book debts), included in stock statement which are obsolete (more than six months old) and/or in terms of sanction.

16. Details of Sundry creditors trade, Sundry creditors other, unpaid bills under usance LC, O/s Buyers credit/LOC.

17. Whether stocks/ book debts/ creditors referred to under item no.15, 16 above have been excluded while calculating DP?

18. a) Details of stocks sent for job work to other processors

Nature of Stocks	Value of Stocks	To whom sent	Date of dispatch	Proof of dispatch	Remarks

b) Whether confirmatory letter and no lien letter from processors giving details of material held with them have been obtained?

19. Stocks received for processing on job-work basis and/or belonging to sister/allied concerns: -

Name of the party	Nature of Stocks	Value of Stocks	Date of receipt	Whether these are segregated from the stocks hypothecated to the bank.	Remarks

20. Details of insurance policy

- a) Amount of Insurance Policy
- b) Valid from \_\_\_\_\_ to \_\_\_\_\_
- c) Insurance risks covered
- d) Adequacy of coverage for all locations of storage including stocks with 3<sup>rd</sup> parties (including for job work).
- e) Comments on adequacy of insurance for primary as well as collateral security.
- f) Whether safeguard measures are taken as per terms of insurance policy?

21. Evaluation of debtors (receivables), verification of sundry creditors, position of unpaid stocks and reasons for non-realization of old debts

S.N.	Particulars	Observations/Comments
21.1	Total Book Debts declared (as per the latest book debt statement submitted to the bank)	
21.2	Of which bills discounted with the Bank/ other banks	

21.3	a) Age wise bifurcation outstanding Up to 30 days 31 days to 90 days 91 days to 120 days 121 days to 180 days Above 181 days	
21.4	b) Details of party wise outstanding (wherever outstanding of any particular debtor is in excess of 10% of the total debtors)	
21.5	Value of book debts with age profile as per the sanction	
21.6	Book Debts as a %age of total sales. Cumulative figures should be furnished from the beginning of the fiscal year till the date of valuation (Cumulative from ..... to .. )	
21.7	Book debts identified as Doubtful of Recovery Bad debts (%age of such doubtful and Bad debts should be specifically commented along with those dues from sister/allied concerns)	
21.8	Other Details	
21.8.1	Collection machinery put in place	
21.8.2	Whether the borrower has provided for doubtful book debts	
21.8.3	Reason for non-realization of old debts	
21.8.4	Whether there are any disputes in respect of Book-Debts	
21.8.4.1	If yes, brief details along with the latest position.	

**22. Comments on**

a) Physical inspection of stocks relating to the Goods/Services procured against the LCs issued also and duly verifying the same from the books of accounts and other sources to detect fudged figures, if any.

b) Profitability & Inventory Ratios.

(c) Operation in account vis-à-vis sales/purchases, movement of inventory etc.

(d) Adverse remarks, if any (court cases, pending dues & defaults etc.

22. Whether QMR/MMR (Quarterly/Monthly Monitoring Report) are being submitted by the party as per terms of sanction.

23. Wherever required, whether charge registered with ROC within prescribed time (Form CHG-1 & 13 filed or not)

**B. OVERALL VIEWS/ COMMENTS  
ABOUT THE ACCOUNT**

Date: Signature of Chartered Accountant/ (with Seal)

Name:

Address:

\*\*\*\*\*

**APPENDIX-II**

BOs TO \_\_\_\_\_ RO  
RO TO \_\_\_\_\_ Credit, HO

**STOCK AUDIT REPORT**

To be Submitted at the close of every quarter by 15<sup>th</sup>/30<sup>th</sup> of the succeeding Month)

(Rs. in Lacs)

S. No.	Name of Account	Name of Branch	Limit Sanctioned		Date of Stock Audit Report	Date of Receipt of Report	Total fees paid*	Brief Details of Deficiencies pointed out by Stock Auditors	Action taken to rectify the deficiencies	Remarks (\$)
			FB	NFB						

\* Including all expenses

\$ Reasons for non-closure of stock audit reports, if outstanding for more than 60 days.

**Note:** Regional Offices to ensure to enlist number/detail of eligible accounts that have not been stock audited separately as per Appendix-III.

### **APPENDIX-III**

BOs TO \_\_\_\_\_ RO  
RO TO \_\_\_\_\_ Credit, HO

#### **Detail of Eligible Accounts that have not been Stock Audited**

**(Rs. in lacs)**

S.No	Name of Account	Name of Branch	Limit Sanctioned		Reasons for Non-conduct of Stock Audit	Authority permitting exemption
			FB	NFB		

## APPENDIX-IV

**Position of eligible accounts in which stock audit has been conducted / exempted and position of closure of Stock Audit Reports**

S No	Report/ Confirmation Regarding	Periodicity/ Report to be put up by (date)	Authority
A	All eligible ac/s (except the exempted accounts) have been stock audited. #	Annual*- 25th April	Regional Office
	Note: Reasons for Non conduct of stock audit/Non closure of stock audit reports, if any, and action taken be invariably provided.	30th May	GM/ CHAIRMAN, CREDIT DEPTT., HO GM, Recovery Division, HO in case of NPA Accounts under HO sanctions
B	Stock Audit Reports pending for closure even after 60 days from the receipt of the SA Report. \$	Quarterly@- (15th July/15th October/ 15th January)	Regional Office
	Reasons for non-closure of stock audit reports, if any, and action taken be invariably provided.	Quarterly- (15th August/ 15th November/ 15th February)	GM/ CHAIRMAN, CREDIT DIVISION, HO GM, Recovery Division, HO in case of NPA Accounts under HO sanctions

# Stock Audit Report format as provided at **Appendix-II** be used deleting column “total fees paid”.

\$ Stock Audit Report format as provided at **Appendix-II** be used.

\* Position of all eligible accounts for stock audit be sent to CREDIT DIVISION, HO within 30 days of close of financial year as hitherto on the prescribed format provided at **Appendix-II**

@ Position of all eligible accounts for stock audit be sent to CREDIT DIVISION, HO within 15 days of close of quarter on the prescribed format provided at **Appendix-III**

## APPENDIX-V

<b>APPLICATION FORM FOR EMpanelLMENT OF INDEPENDENT CHARTERED ACCOUNTANTS FOR STOCK/RECEIVABLES VERIFICATION</b>					
<b>A. Applicant's Basic Information</b>					
1. Name					
2. Constitution		Proprietorship concern/Partnership firm/Private Limited/Public Limited Company/ Limited Liability Partnership <i>(Copies of memorandum and articles of association/partnership deed, as applicable, to be enclosed)</i>			
3. Date of Registration/ Incorporation		— / — / —	4. Date of Commencement of business	— / —	5. Email
6. Principal Person		Landline/Cell /Fax numbers			
7. Contact Person		Landline/Cell /Fax numbers			
8. Details of Registered Office, Administrative office and branches, if any					
Location	Address			Telephone/Fax Number	Email
9. If there has been a change in name/constitution/management in the past, please furnish details below along with supporting documents.					
10. Brief Particulars of activities					
<b>B. Applicant's Financial Information (<i>in Lacs</i>)</b>					
Particulars	As on 31.03.20____	As on 31.03.20____	As on 31.03.20____		
1. Paid up Capital					
2. Net worth					
3. Income/Revenue					
4. PAT					

5. Borrowings		
6. Debt/Equity Ratio		

**Particulars of major Shareholders/Partners**

Name of the Shareholder/Partners	Resident or Non Resident	Address	% of share holding

*Please enclose copies of past three years audited financial statements/annual reports or copies of provisional financial statement in the absence of audited accounts & Income Tax Returns*

**C. Applicant's Knowledge Resources**

**1. Personal & professional details of Promoters/partners/directors**

S N	Name	Designation	Date of Birth	Qualification(s)	Experience in the field of Stock Audit	Whether fellow of the Institute of Chartered Accountants of India (ICAI). If yes, give details.

**2. Personal & professional details of Professional Staff(Part time/full time/associate)**

S N	Name	Designation	Date of Birth	Qualification(s)	Experience in the field of Stock Audit	Whether fellow of the Institute of Chartered Accountants of India (ICAI). If yes, give details.

*Note: the above information must be supported by:*

- a. Detailed bio data of all the people mentioned above.

**3. Professional Credentials**

- a. Whether empanelled with other commercial banks/NBFCs? If yes, give details.

*Please provide date of empanelment and status with regard to its validity.*

*(Copies of letters empaneling the consultant to be enclosed)*

b. Membership/registration with Institute of Chartered Accountants of India (ICAI)				
<b>4. List of Important Assignments Handled (In India)</b>				
Name & address of the client	Details of services rendered	Month & year in which the assignment was completed	Fee earned	Other relevant information
<i>(Relevant documentary evidence such as letters of assignments from clients, reports etc.)</i>				
<b>D. Declaration</b>				
I/we declare that the particulars furnished above are true to the best of my knowledge and belief. I/we further confirm that all the necessary supporting documents are enclosed with the application.				
I/we hereby undertake that the firm/company, if empanelled, shall have arm's length distance with the proposed clients for whose stock verification is done, will not have any business dealings with them or give them undue favour, will not demand additional remuneration than what is not initially settled nor will unnecessarily delay the stock verification Report.				
I/we have not been debarred by RBI/Institute of Chartered Accountants of India.				
I/we hereby apply to the bank to empanel firm/company on the Bank's panel as independent Chartered Accountant for undertaking stock/receivable verification.				
I/we understand that any discrepancy/wrong information/breach of undertaking would lead to cancellation of empanelment with immediate effect.				
I/we understand that mere fulfilling all the eligibility criteria shall not confer any right for empanelment of the independent chartered accountants for stock/receivables verification. Bank decision in this respect shall be final and binding to applicants.				
Further, I/we understand that the empanelment would not amount to any commitment on the part of the bank to provide any professional assignment.				

For \_\_\_\_\_

**Seal of the company/ firm  
Partner/Authorised Signatory**

Place:

Date:

**Format of Undertaking to be Submitted by the Chartered Accountant firm /**  
**Stock Auditor for Empanelment**  
**UNDERTAKING**

I/we,.....

do hereby solemnly affirm and state that

- I / we have not been convicted of any offence and sentenced to a term of imprisonment,
- 
- I / we have not been found guilty of misconduct in professional capacity,
- I / we am not an un discharged insolvent,
- I / we have read, understand and fulfill all the conditions of criteria forempanelment of Independent Chartered Accountant for stock / receivable verification,
- I / we have not been depanelled by any bank/FI from carrying out stock / receivable verification work,
- I / we undertake to keep you informed of any events or happenings which would make me/us ineligible for empanelment as an Independent Chartered Accountant for stock / receivable verification,
- I / we have not concealed or suppressed any material information, facts and records and I have made a complete and full disclosure.

Dated.....

Signature.....

Name.....

Address.....

.....

## APPENDIX-VII

### Appointment letter for Stock/Receivables verification

REF No.

Date:

M/s XYZ & Co. (C.A. Firm)

Dear Sir,

**Account: M/s ABC Limited**  
**STOCK/RECEIVABLES VERIFICATION**

We are pleased to entrust you with the Stock/Receivables verification job of the captioned borrower banking with our following branches/Clusters. You are requested to co-ordinate with the branch for the inspection.

Name of the Branch	Name of the Borrower

We enclose herewith copy of the format along with the Terms of Reference for conducting the Stock/Receivables Verification and request you to ensure the following:

- Please carry out the Stock/Receivables Verification at the earliest but not later than..... and submit stock audit report to our office and one copy concerned Branch\$.
- Please carry out the Stock/Receivables Verification at the earliest but not later than..... and submit 3 copies of stock audit report, i.e. one to the concerned Branch\$, one to Regional Office and one to HO\$.
- Stock/Receivables Verification report submitted in any other format other than our Bank's approved format is not acceptable.
- The Stock/Receivables Verification shall be done duly accompanied by a Branch Official.
- The verification SHALL NOT be conducted singly by an Articled Clerk employed by the firm, but by a Chartered Accountant.
- The Chartered Accountant shall bring to the notice of the Bank, adverse comments, if any, relating to quality of stocks/other security charged to the Bank.

The fee payable will be as per the given schedule besides the to-and-fro travelling expenses to be incurred by Auditors on travelling, boarding, lodging and other misc. expenses etc.,

WC LIMIT (FB+NFB)	FEE PAYABLE
Up to Rs. 2 Cr	Rs. 5,000/-
Above Rs. 2 Cr up.to Rs. 5 Cr	Rs. 10,000/-
Above Rs. 5 Cr	Rs 15,000/-

We request you to give your consent for acceptance of above assignment on the second copy of this letter by return post to this office and subsequently advise the scheduled programme of the same.

We also request you to submit the declarations for the following:

- Declaration to the effect that your firm is not de-listed/debarred by our Bank/RBI or any other financial institution.
- Declaration that you have not been empanelled as concurrent auditor of the Branch/Cluster where the accounts of the borrowers (allotted to you) are being operated.
- Copy of Certificate of Practice.
- Declaration that no loan facility is being availed by your firm from our Bank.
- Declaration that you are not the Auditor of the firm whose Stock/Receivables verification is entrusted to you.
- Proper identification of the partners/Audit assistants of your firm when they visit the above Branch/Cluster and the unit for Stock/Receivables verification.

The Bank reserves the right to cancel the assignment where it may deem fit, without assigning any reason. You are requested to submit the Report to this office as well as to the concerned Branch.

Yours faithfully,

**Regional Manager/Sr. Regional Manager**

*\$- Delete whichever clause is not applicable*

## **SCOPE OF STOCK AUDIT AND TERMS OF REFERENCE**

Scope of stock audit would include physical verification of stocks, stores & spares and correctness of their valuation, evaluating the sundry debtors and creditors, policies of the borrowers in respect of procurement of raw materials and valuation of inventories, commenting on registration of charge and insurance of stocks, stores and spares or any other aspect relating to stock which has bearing on Bank finance.

The checklist/ scope of stock audit and terms of reference are given hereunder:

Comments about statement submission & Scrutiny	<ul style="list-style-type: none"><li>• Reconciliation of stock statement submitted with the accounting records maintained by borrowers, particularly relating to quantity, rate, value of inventories, age, marketability, etc.</li><li>• Stock Book Debts statements submitted/not submitted / not submitted in time.</li><li>• Inadequate details viz. rate, quantity and amount of different type of stock items stated in the statement.</li><li>• Scrutiny of stock statements.</li><li>• DP Register written or not up to date.</li><li>• Age wise analysis of Debtors not given / done. Debtors over 90 days (or as per sanction) considered for drawing power.</li><li>• Drawing Power should invariably be mentioned in the position of account and Auditors to give their specific comments that the same has been calculated as per bank's guidelines or not calculated correctly.</li><li>• Latest visit report by branch official not on record etc.</li><li>• Reconciliation with GST returns.</li></ul>
Comments about verification of stock, sundry debtors and creditors	<ul style="list-style-type: none"><li>• Physical verification of stocks, stores and spares and condition of storage, viz. accessibility to godowns, open or covered, owned or rented, in the premises or in godowns/factory of third party etc.</li><li>• The valuation, age and holding levels of stock/stores/spares/receivables.</li><li>• Performance of the company, particularly in the matter of material management (such as levels of inventory holdings, credit policy etc.).</li></ul>

	<ul style="list-style-type: none"> <li>• Policies relating to procurement of raw material, management of stocks, stores and spares, issue and costing etc.</li> <li>• Sourcing of the raw materials, i.e. whether any credit is available for the material and which of the items are available against cash payments.</li> <li>• Maintenance/ updation of Stock.</li> <li>• Stock turnover ratio.</li> <li>• Debtors turnover ratio.</li> <li>• Stock/ debtors figures submitted at the year end and as per financial statement.</li> <li>• Confirmation for inventory with third party.</li> <li>• Material received from third parties for job work excluded while calculating drawing power.</li> <li>• Existence of long pending debtors.</li> <li>• Increase in the average collection period of debtors.</li> <li>• Dispute with debtors and pending court cases.</li> <li>• Amount receivable from Sister Concern considered for calculation of drawing power.</li> <li>• Advances received from debtors not reported resulting in higher availment of DP.</li> <li>• Valuation of different items of inventories, such as raw material, work in progress, finished stocks, stores &amp; spares as per standard accounting practices and pointing out variance, if any, noticed during stock audit.</li> <li>• Movement of Stocks (Non Moving, Slow Moving, Damaged, Obsolete, More than 1 Yrs. Old, More than 6 months Old stocks, stocks no more in use and Expired stocks in case of Pharmaceutical concerns).</li> <li>• Age-wise and value-wise evaluation of the debtors (receivables), reasons for non-payment of old debts and verification of the debtors (receivables) with records maintained by the borrower (credit summations for the last six months be called for the purpose).</li> <li>• Verification and valuation of sundry creditors indicating separately those relating to stocks, stores &amp; spares and their relationship with Bank Finance (debit summations for the last three months be called for the purpose).</li> </ul>
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Comments about Insurance coverage	<ul style="list-style-type: none"> <li>• Premium for renewal policy paid but policy not on record.</li> <li>• Bank clause in Insurance Policy,</li> <li>• Coverage of all risks as per sanction.</li> <li>• Description of wrong items / goods on insurance policy.</li> <li>• Location of goods wrongly stated.</li> </ul>
Comments about account operations	<ul style="list-style-type: none"> <li>• Operations in the account vis-à-vis sales/purchases, movement of inventory etc.</li> <li>• Operations in the accounts not scrutinized with reference to projections, QIS statements, audited accounts etc.</li> <li>• Defects pointed out by the Internal Auditors / Inspectors / Concurrent Auditors are not complied with.</li> <li>• No / delayed review / renewal of A/c.</li> <li>• Account not operated actively.</li> <li>• Cash withdrawal during current period is abnormal.</li> <li>• Frequent overdrawing in the account.</li> <li>• Comparative Profitability and Inventory Ratios.</li> <li>• Whether the power consumption (electricity purchased) is in conformity with production of unit i.e. increase in consumption of power is also being reflected in increase in production or vice-versa in case of manufacturing units.</li> </ul>
General comments	<ul style="list-style-type: none"> <li>• Diversion of funds and inter account transfers.</li> <li>• Borrower having operations with other bank with/without permission.</li> <li>• Verify Registration of Charges/Modifications with ROC and position of Insurance.</li> <li>• Any other item relevant to Stock Audit, which has a bearing on the Bank finance.</li> </ul>

## **APPENDIX-VIII**

### **UNDERTAKING**

(To be submitted by FCA on letter head)

The Regional Manager/Sr. Regional Manager,

Dear Sir,

Reg: Stock/Receivables Verification of M/s.....

Your letter No \_\_\_\_ dated \_\_\_\_\_.  
You have assigned to me/us stock/receivables verification of the borrowing account of \_\_\_\_\_ with your \_\_\_\_\_ Branch.

I/We hereby declare that I/we shall faithfully, truly and to the best of my/our skill and ability, execute and perform as per given Terms of Reference the duties required of me/us by Uttar Pradesh Gramin Bank in all matters as and when the same or any of them are referred to me/us.

I/We shall devote sufficient time and give personal attendance to the Bank's work. I/we hereby agree and undertake:

- a) To maintain secrecy about the working of the above-mentioned borrowing unit required by the Bank.
- b) Not to use any legend containing the Bank's name or symbol such as "Practising Chartered Accountant/Consultant to Uttar Pradesh Gramin Bank" or "Adviser Or Consultant to Uttar Pradesh Gramin Bank" on my/our letter head or visiting card.
- c) Not to appeal/advise against any branch of the Bank and also undertakenot to represent or process the case of any of the constituents of the Bank for any matter; and
- d) Not to become a party to a disclosure which is prejudicial to the interestsof the Bank.

Yours faithfully,

For

(Chartered Accountants

## **APPENDIX-IX**

### **DECLARATION OF ELIGIBILITY NORMS**

(To be submitted by FCA on letter head)

The Regional Manager/Sr. Regional Manager,

Dear Sir,

REG: Stock/Receivables Verification in the account of M/s \_\_\_\_\_

We are in receipt of your assignment letter No. \_\_\_\_\_ dated \_\_\_\_\_ and agree to the terms and conditions set out in the letter and Annexure. We hereby confirm and declare as under:

- i. None of the partners or proprietor of the firm is Director of the Bank.
- ii. None of the disqualification contained in section 226 of the Companies Act, 1956/ (**or section 141 of Companies Act 2013**) applies to me/us and as such I/We are qualified for appointment for Stock/Receivables Verification. That I/We continue to qualify to conduct Stock/Receivables Verification under section 226 of the Companies Act 1956/(**or section 141 of Companies Act 2013**).
- iii. Any change in names/constitution or postal address of the firm will be intimated to the Bank immediately.
- iv. In case of Proprietary firm, I am the sole Proprietor of the firm and a full time practising Chartered Accountant not employed elsewhere and that I do not have any other business interest.  
*(NOTE: Chartered Accountant in professional service and engaged in part-time teaching vocation can be considered as in full time practice)*
- v. The firm or their partner/proprietor has not been subjected to inquiries in the past for misconduct by the Institute of Chartered Accountants of India as per provision of Section 21 of the Chartered Accountants Act. 1949. Similarly, no such inquiries are pending initiated or contemplated by the Institute till date.
- vi. We will not Sub-contract the assignment of Stock audit to another firm/persons in any manner whatsoever.
- vii. We, the Firm of Chartered Accountants and / or its Partners/ Proprietor are not having any professional relationship with the Company which is proposed for Stock/Receivables Verification. Further, we are not the concurrent auditors of the Branch where the account of the borrower is being operated.

Yours faithfully,

For \_\_\_\_\_

(Chartered Accountant

## APPENDIX-X

### PERFORMANCE REVIEW OF STOCK AUDITOR

(To be used for undertaking performance review of the stock auditor once in two years)

Name of Regional Office:

1	Name and address of Stock Auditor	
2	Date of Empanelment	
3	Whether at least one of the partners is still a Fellow of the Institute of Chartered Accountants of India (FCA).	
4*	Whether the Chartered Accountants / firm seized to be citizen of India or body incorporated within India under laws of India?	
5*	Whether the Chartered Accountants firm / Stock Auditor has been depanelled by any other bank/FI from carrying out stock audit work?	
6*	Whether the Chartered Accountants firm/Stock Auditor has been Convicted of any offence and sentenced to a term of imprisonment?	
7*	Whether the Chartered Accountants firm / Stock Auditor has been found guilty of misconduct in professional capacity, indulging in unfair practice or violating the code of ethics and professional practices?	
8*	Whether the Chartered Accountants firm / Stock Auditor is an un- discharged insolvent?	
9*	Whether any complaints against the Chartered Accountants firm / Stock Auditor have been registered with the CBI / Serious Fraud Investigation Cell / Court(s)	
10	Any instance of the Chartered Accountants firm / Stock Auditor being found in submitting reports in a casual manner.	

11	Any disputes between Chartered Accountants firm / Stock Auditor and the Bank	
12	Overall performance of the Chartered Accountants firm / Stock Auditor	
13	Any other relevant information	
14	Recommendation (Good & keep empanelled / Moderate but keep empanelled / issue show cause notice for depanelment / anyother)	
15	Action Taken	

\* Specific declaration shall be obtained from the Chartered Accountants firm / Stock Auditor.

Note: Extra sheet should be used where ever required

Signature of Regional/Sr. Regional Manager

Date: