

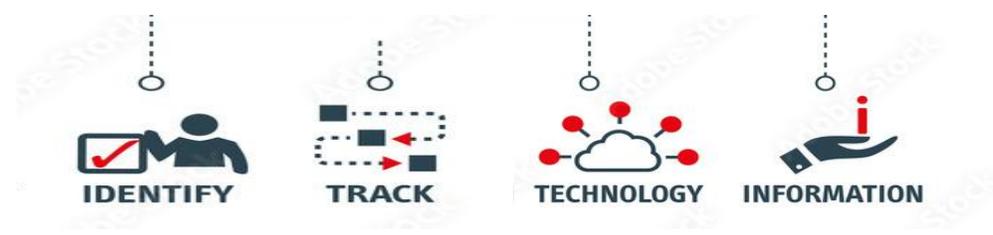
Credit Monitoring IRAC



Credit Monitoring



Identification of Stress



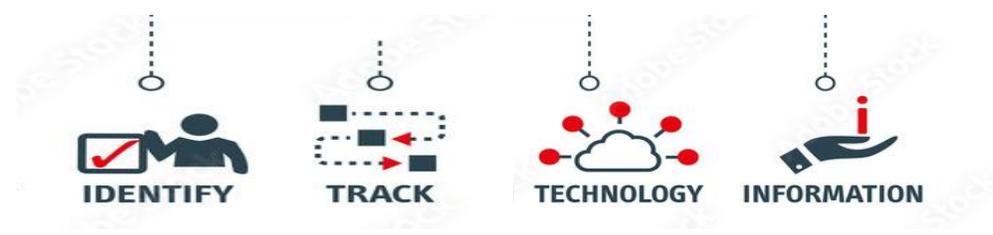
- Categorizing all the stressed accounts under the *Special Mention Account (SMA)* category as defined by RBI based on the *default* observed in each of the accounts

Basis for classification –

Principal or interest payment or any other amount wholly or partly overdue between



Identification of Stress



➤ In case of revolving credit facilities like cash credit, the SMA sub-categories

Basis for classification –

Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of



SMA
Sub-Categories

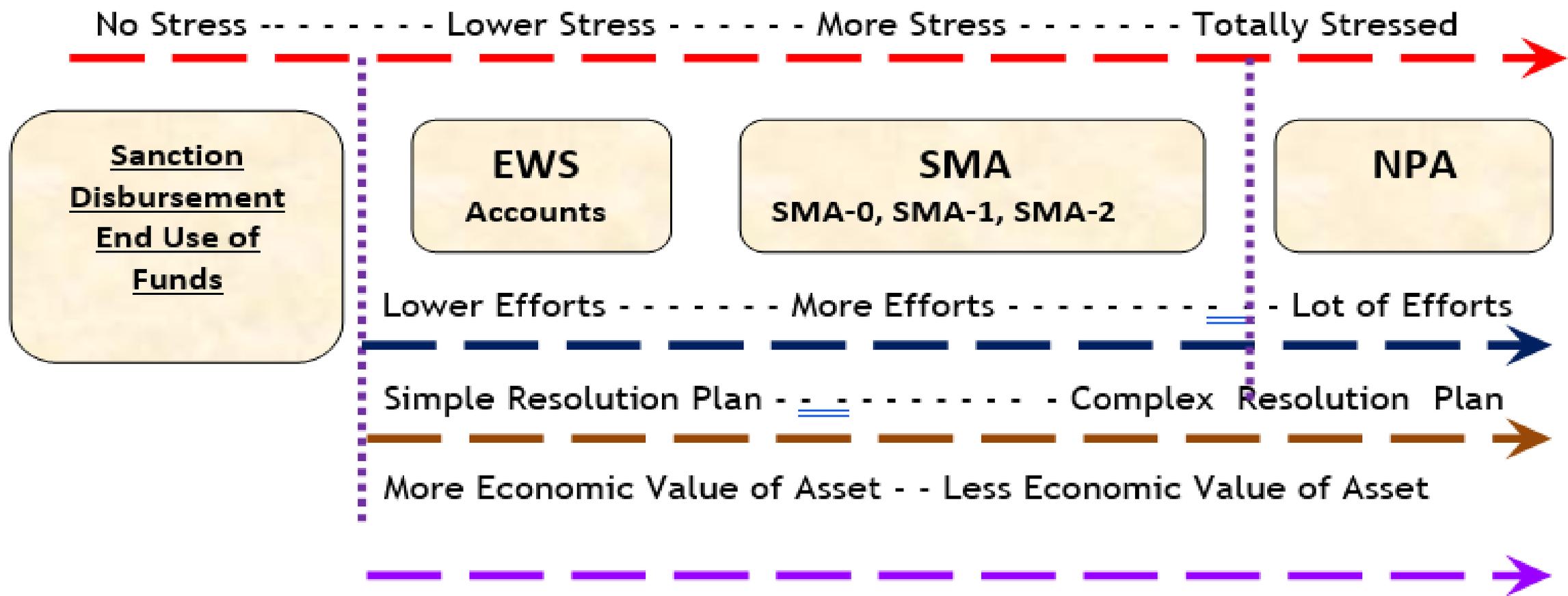


More than
30 days up to 60 days



More than
60 days up to 90 days

Life Cycle @ Loan Account

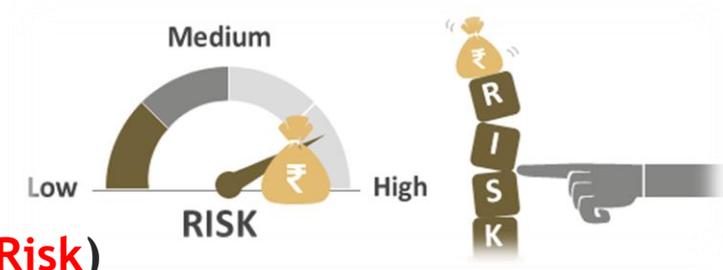


Risk Categorisation of all the Regions

✓ Into 3 groups

(High Risk, Medium Risk & Low Risk)

✓ Following parameters and the weightage allotted to each parameter is as under



S No	Parameter	Weightage
1	Average Stressed Assets Percentage	25.00
2	Average Mock Run	20.00
3	Slippages during the quarter	25.00
4	Review / Renewal	20.00
5	MCMR Submission	10.00
	Total	100.00

Risk Category of Regions	Overall Weightage
High Risk	<60
Medium Risk	60-80
Low Risk	>80

Note :

- Categorization Review @ Qtr. Basis by CCM Dept.
- Visit to HIGH-RISK Regions @ **Qtr. Basis** and Other Regions @ **Half-Year** by executives not below AGM –CMCC (CO)
- Based on Position & Performance of a Branch in Various Stress parameters, **top 10 Branches** are Classified as **CRITICAL Branch** for each Region

✓ Visits on **Qtr. Basis by RO/FGMO** Cr. Mont. Officials @ **Root Cause Analysis**

Reporting of Stress to RBI on CRILC Platform:

Credit Information, including classification of an account as Special Mention Account (SMA) is to be reported by the Bank to **Central Repository of Information on Large Credits (CRILC)**, on all borrower entities having **Aggregate Exposure (AE) of Rs. 5.00 crore and above**.

Note: AE would include all fund based and non- fund-based exposure with all the Bankers /Lenders

a. Monthly Report: Frequency of reporting to CRILC will be as under:

- **CRILC - Main Report** is to be submitted, by the Bank, on a **monthly basis** to RBI
- Report is to be submitted by the **15th of the succeeding month**.

b. Weekly Report: In addition, the Bank is required to report to CRILC, information of all borrower entities (with AE of Rs. 5.00 Cr & above) which are in default, on a **weekly basis** at the close of business hours **on every Friday**. If in case, Friday happens to be a holiday, then the reporting should be done on the preceding working day. ✓ The report is to be submitted by **Wednesday** of the succeeding week.



Reporting of Stress to RBI on CRILC Platform:

Preparation of the CRILC Main Report and weekly Report:

Credit Compliance Department & Credit Monitoring (CCM Dept.) at Central Office (CO) with the help of DIT / MIS Dept.

Submission of CRILC Report on the prescribed RBI platform



CCM Department

CRILC report shows the status of default in other Banks also.



Monitoring Responsibilities at Branch:

➤ SMA-0 is the first regulatory sign of stress. Hence Special focus on SMA-0 accounts is needed, by implementing the following:

- ✓ In Retail Accounts, the option of NACH/Standing Instruction are to be used
- ✓ Same is the case with Term Loan where Principal/Installment are not recovered through automated channels like NACH/Standing Instructions
- ✓ Borrowers are to be intimated well in advance regarding the interest portion in case of all OD/CC accounts
- ✓ Branch should regularly generate three reports from 'Query' menu of FINACLE i.e.

Report No 62	List accounts wherein overdue & overflow both exist
Report No.63	List Term Loan where connected accounts (SB/CD etc) have Credit balance
Report No.64	Shows accounts where ECS/SI/NACH are wrongly fed in the account.

FINACLE Menu
HLADSP



Menus in CBS under option ‘QUERY’

- ✚ **Cheques presented in clearing**, whether local or outstation, are to be checked using the menu option **“QUERY - Option 15 - Inward Cheques lodged in other branches”**. The report can be generated SOL ID wise for verification and should be checked / verified by the Branches to ensure that the cheques issued are business related only.
- ✚ The controlling offices may generate the list of expired Collaterals through Menu **“Query” Option-“97”** for effective monitoring and follow up.

Stages of Monitoring in Advances Portfolio



Stages of Monitoring



- ✓ Conducting KYC / Due Diligence / Enhanced Due Diligence,
- ✓ Obtaining NOC from Banks or Financial Institutions in case of take-over of accounts,
- ✓ Personal visit to such Institutions for a detailed dialogue,
- ✓ Pre-disbursement Inspection of the unit,
- ✓ Communication and acceptance of terms of sanction,
- ✓ Execution of security documents including signing of Letter of Guarantee by the Guarantor(s),
- ✓ Obtaining Legal Opinion,
- ✓ Creation of Charge / Mortgage on securities (both prime and collateral),
- ✓ Inspection of the unit,
- ✓ Induction of Promoter's margin,
- ✓ Vetting of documents
- ✓ Completion of Credit Process Audit (CPA)
- ✓ Registration of Charge / Mortgage with CERSAI/RoC/SRO



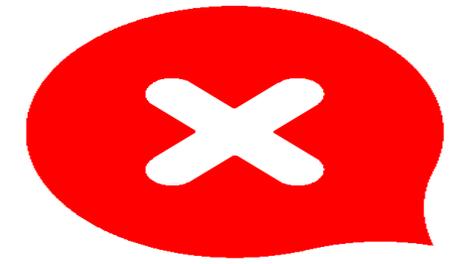
Stages of Monitoring



Do's

Working Capital - Checklist:

Compliance of terms and conditions
Availability of Drawing Power
Adequate Insurance of Prime & Collateral
Inspection of Stocks – Quality/Quantity
Verification of major debtors & creditors



Don'ts

Disbursements to un-related accounts, borrowers' own current / savings account, in cash or transfer to sister concern accounts, if NOT Permitted by Sanctioning Authority.



During Disbursement

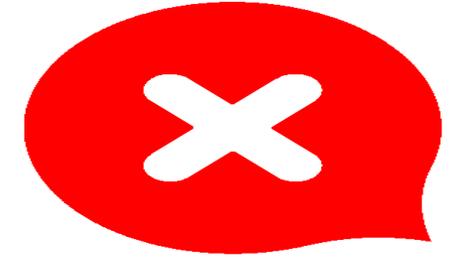
02

Stages of Monitoring

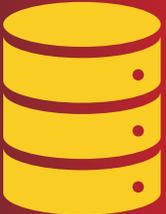


Do's

Term Loan - Checklist:



Don'ts



During Disbursement

02

Obtaining of Proforma Invoices and its evaluation
Disbursement of Term Loan together with promoter's margin by direct payment to suppliers/vendors.
Arrangement for financing cost overrun, if any
Impact of time overrun and cash generations consequent to such overrun
Certificates from various independent agencies like Architect / Contractor / Chartered Accountant (CA) for progress in project implementation

Disbursements to un-related accounts, borrowers' own current / savings account, in cash or transfer to sister concern accounts, if NOT Permitted by Sanctioning Authority.
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Stages of Monitoring



- Compiling of Post Sanction inspection report
- Tracking of movement of stocks and rejection of stock
- Ensuring that Sales are in line with projections
- Monitoring the realization of debtors / age of debtors
- Verification records such as invoices, books of accounts, stores records etc.
- Detecting / avoiding unrelated debits to the account
- Keeping a check on cash withdrawals by the Borrowal vis-à-vis limit
- Keeping watch on account operations (Cheques / RTGS / NEFT/Transfers)
- Timely review of credit facilities
- Scrutiny of control returns like Stock Statements / BD statements / QPR / MSOD
- Periodic inspection of Unit & Verification of the assets & securities charged to Bank
- Reports of Independent Audit Agencies (Stock Audit, Concurrent Audit etc.)
- Scrutiny of Audit Report & Financial Statements
- Submission of Monthly Credit Monitoring Reports (MCMRs)
- Prompt & timely recovery of interest / installment / overdues
- Watch on Frequent requests for excess or modification in T & C
- Timely obtaining Credit Report of other Lenders / Attending Consortium Meetings / Keeping watch on connected accounts with other Banks

Stages of Monitoring



Watch on External Information like:

- ✓ Market information from Newspapers / periodicals / media reports
- ✓ Sourcing of information from borrower's employees (Munims, Accounts Officers and Workers etc)
- ✓ Information from Borrower's Customers, Creditors
- ✓ Raids / Enquiries by external agencies such as GST / Income Tax / DRI / CBI etc
- ✓ Information on changes in Key Personnel / Management
- ✓ Reference from other Bankers regarding other connected accounts of the borrower
- ✓ CIBIL / CRILC Report
- ✓ Changes in ECAI Ratings / Internal Rating
- ✓ Government Policy (ies) relating to borrower's business



Early Warning Signals



For EWS -

Our Bank has:

- ✓ A Web based solution provided by BCPL w.e.f. 31.03.2021
- ✓ EWS alerts flashed by the package for all fund based accounts **above Rs 1 Cr** with their non fund based exposure (Earlier thresholds was @ all exposures of Rs.5 Cr & above since 01.09.2022)
- ✓ At present a total of **134 rules** have been configured in the package comprising

RBI prescribed 47 alerts
(incl.42 main & 5 sub-alerts)



84 alerts as per
EASE agenda



3 alerts specific to our Bank viz:

- Capturing details of RFA/ Fraud declared by other banks
- Movements of funds from CC/OD/TLA account to CA/SA/CC/OD account
- Information on disclosures to BSE/NSE

Early Warning Signals (EWS)



Categories of EWS Alert-

- ✓ Highly Critical
- ✓ Critical
- ✓ Informatory



□ **Highly Critical Alerts -**

- ✓ Based on such events which are very serious in nature & depict max. degree of fraudulent connotation
- ✓ Thorough examination (if required resp. A/cs may be placed for RFA marking before competent authority at earliest)

□ **Critical Alerts -**

- ✓ Based on Alerts which are serious in nature & immediate remedial actions is required
- ✓ Immediate corrective actions initiated by the field functionaries on critical alerts

□ **Informatory Alerts -**

- ✓ Based on Alerts, which are advisory in the nature and incident
- ✓ Continuous monitoring of such accounts
- ✓ Corrective actions by field unit for non-recurrence of such irregularity in near future



AQMC at Regional Office (RO):

Constitution	Regional Head – Chairman Credit Head RO Credit Monitoring Head RO Recovery In-charge RO RMD In-charge RO
Convenor	Credit Head at RO shall be the Convenor
Alternate Arrangements	In the absence of Credit Head, CCM Dept. Head will be the convenor

AQMC at Zonal Office (ZO):

Constitution	Zonal Head – Chairman Credit Head, ZO Credit Monitoring Head, ZO Recovery In-charge ZO RMD In-charge ZO
Convenor	Credit Head at ZO shall be the Convenor
Alternate Arrangements	In the absence of Credit Head, CCM Dept. Head will be the convenor

AQMC at Central Office(CO)

Constitution	Executive Director – in charge of CCM Chief General Manager (CCM) Chief General Manager (Large Corporate) Chief General Manager (MSME) Chief General Manager/ General Manager (Mid Corporate) Chief Risk Officer Chief General Manager (SAMV) General Manager (DFB) Chief General Manager/ General Manager (Retail Asset) Invitee: ZHs as required
Convenor	DGM, CCM Dept., CO shall be the convenor of the Committee meetings
Alternate members	Alternate CGM/GM of the respective members.
Quorum	5 (Five) wherein CGM-CCM and any of CGM-LCV & MCV are mandatory.
Frequency	Quarterly

- Agenda for AQMC at all levels i.e., RO/FGMO/CO:
 - Potential Stress Accounts (PSA)
 - Stressed Assets (SMA-0, SMA-1 & SMA-2)
 - Review/Renewal
 - Ceilings Vs Actual
 - Mock Run
 - Technical Slippage
 - Large Value SMA-0 accounts
 - Resolutions Plans adopted at Resolution Committees
 - Credit Monitoring Visit

IRAC



Norms for NPA Classification

TERM LOAN	<ul style="list-style-type: none">Interest and installments of principal remaining <u>overdue</u> for a period of more than 90 days
CC/OD	<ul style="list-style-type: none">Account remaining '<u>out of order</u>'
Bills (Purchased/Discounted)	<ul style="list-style-type: none">Remaining overdue for a period of more than 90 days
Agri Advance	<ul style="list-style-type: none">Instalment of principal or interest overdue for two cropping seasons for short term crops & one cropping season for long term crops



Out of Order ?



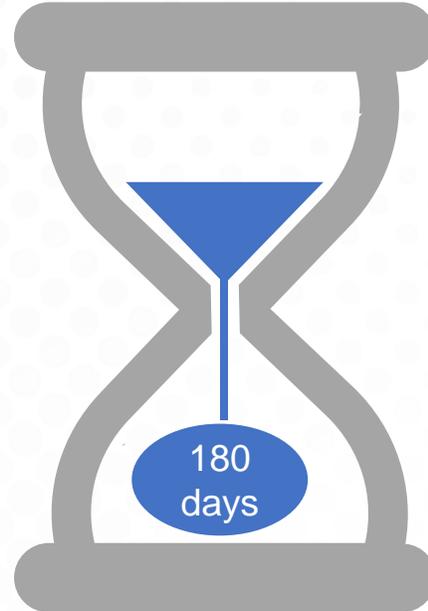
O/s balance remaining continuously in excess of sanctioned limit/DP for 90 days

O/s less than sanctioned limit/drawing power, but there are no credits continuously for 90 days as on date of balance sheet or credits are not enough to cover the interest debited during the same period

NPAs due to technical deficiencies

Stock statement not submitted

- **Irregular outstanding-** Drawing power calculated from stock statements older than 3 months.
- Working capital will become NPA if such irregular drawings are permitted continuously for 90 days *(i.e. 90 days beyond 3 months = 180 Days)*



Limits expired

- Account will be treated as NPA where the regular/ ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/ date of ad hoc sanction

Categories of NPAs :

01



Standard Assets

Continue to generate income/profit for the bank.

02



Sub-standard Assets

Which has remained NPA for a period less than or equal to 12 months.

03



Doubtful Assets

Which has remained NPA in the sub-standard category for a period of 12 M

Doubtful 1- 12 M
Doubtful 2- 24 M
Doubtful 3- >24 M

04

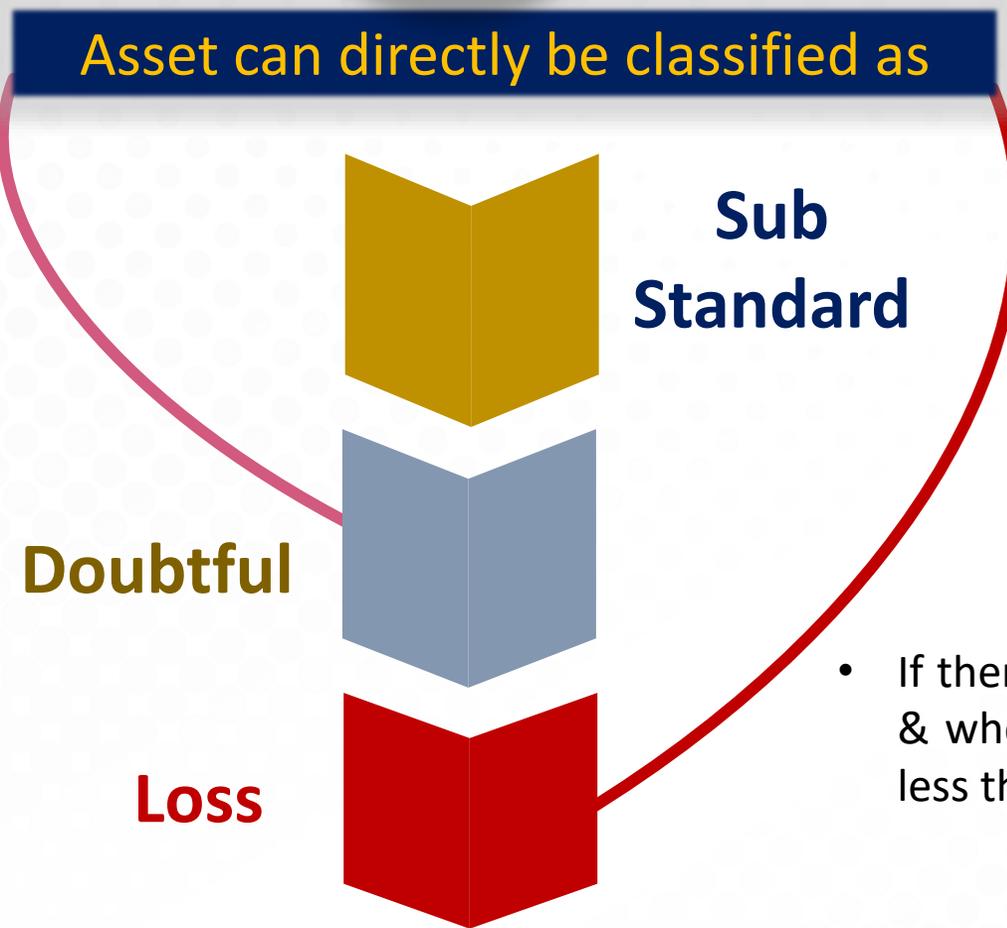


Loss Assets

Where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.

Anomaly in Movement

**Std.
Asset**



- Security value available is less than 50% of value assessed by bank/RBI as per the previous valuation

- If there is a fraud, misutilization & where security value is '0' or less than 10 % of Outstanding

Provisioning :

01




Standard Assets

- Farm Credit to Agri, Individual Hsg. Loan, MSE- **0.25%**
- CRE- **1.00%**
- CRE-RH- **0.75%**
- Hsg loan (Teaser rates)- **2.00%**
- Restructured- As stipulated.
- Restructured as per RBI's natural calamity guidelines- **5.00%**
- Other- **0.40%**

02




Sub-standard Assets

- General provisioning- **15%**
- Unsecured **exposure**- additional 10% i.e. **total 25%**

03




Doubtful Assets

Secured portion:

- Doubtful 1- **25%**
- Doubtful 2- **40%**
- Doubtful 3- **100%**

Unsecured portion:

100%

04




Loss Assets

100%

Prudential norms in Credit Cards



A credit card account will be treated as NPA if the minimum amount due is not fully paid within 90 days from the payment due date mentioned in the statement

Agencies for Specialized Monitoring / ASM



- In respect of accounts with credit exposure of above Rs.250 crore from the banking system, the Branch should invariably appoint the ASM in all the accounts in compliance with the procedure for appointment of ASM.
- The sanctioning authority may also appoint ASM in accounts where credit exposure is below Rs.250.00 crore (FB+NFB) as per triggers in the account.
- In case of NPA Account: If unit is running but recovery action is taking time and there is some activity in the account or cut back or Hold on Operations is permitted in the account or Restructuring is implemented, the ASM may also be appointed to have full control over operations to safeguard Bank's interest.
- Waiver of LEI and Stock Audit may be permitted by sanctioning authority where ASM is appointed.
- Engagement / Appointment of ASMs: The total timeframe for fresh appointment of ASM in any case should not be greater than 45 days (from the date of first disbursement)
[10D-Invitation of bids+10D-Submission of bids by ASM+10D-Evaluation of bids+7D-Obtaining concurrence from CCM+8D-Concurrence by CCM].

- ❑ Tenure of Appointment Normally, the empanelment shall be made for a period of three years.
- ❑ Performance of the ASM shall be reviewed by CCM dept. once in a year based on quality of report/observations of ASM, compliance with the scope of work allotted, adherence to timelines etc.
- ❑ No. of Accounts to be assigned to any ASM shall be limited to 3 with our bank at any point of time.
- ❑ Fees & Payment: It is suggested that fee may be fixed at a minimum of Rs.5.00 lakh to a maximum of 0.05% per annum plus applicable GST of the total exposure/limits (for overall consortium limit) whichever is higher subject to maximum of Rs.25 lakh to be paid proportionately on quarterly basis.
- ❑ The payment should be linked to submission of reports by ASM. The final selection of ASM shall be based on the weighted average marks obtained in Technical and Financial Bid (weightage for technical and financial marks are 70 & 30, respectively).
- ❑ For all eligible accounts, the report is to be submitted by ASM within 45 days from the close of the month/quarter/ periodicity stipulated.

Particulars	Maximum Time prescribed
Submission of Draft report	30 days from end of quarter/month
Finalization of Draft report by the Branch	07 days from the receipt of draft report from ASM
Submission of conclusive Audit Report	08 days from the finalization of draft report by the branch.
Total:	45 days

- In no circumstances, the submission of final ASM report by ASM agency should be beyond total of 45 days' timeline.
- **If delay in submission of report is 15 days** from the permitted period (i.e.,45 days), **the ASM fee will be reduced by 5%**.
- If the delay in submission of report is beyond **further 15 days** from the permitted period, the ASM fee will be **reduced by 10%** for respective month/quarter/period.
- Waiver of penal charges can be allowed by **CAC-I**.
- The committee of General Managers as stated below shall be empowered to take the decision of such blacklisting.
 - 1)General Manager-LCV
 - 2)General Manager-MCV
 - 3)General Manager-RMD
 - 4)General Manager-MSME
 - 5)General Manager-CCM Dept.

Thank You

