TMB Tamilnad Mercantile Bank Ltd
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[***Potential NPAs Policy & Procedures : 2022-'23***]

Potential NPA Policy 2022-'23
Version 9.0

DOCUMENT VERSION CONTROL

Document Title	Review of Potential NPAs- Policy & Procedures 2022-'23.
Prepared By	Chief Manager, Credit Audit Monitoring Department
Verified By	Assistant General Manager, Credit Audit Monitoring Department
Recommended By	General Manager, Credit Audit Monitoring Department
Approved By	Board of Directors
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Document History

Version No.	**Date of Approval**	**Directions given by Board of Directors**
1.0	18.01.2014	**Newly Developed** The following aspects to be included as early alerts. 1. Dispute among partners of the borrower firm. 2. Abrupt change in product lines. 3. Presence of too much stagnant stocks. 4. Too much of sales returns on account of quality issues. 5. Pollution concerns 6. Disputes with revenue authorities. 7. Change in management 8. Adverse rating migrations.
2.0	18.09.2015	Potential NPAs – Policy and Procedures was reviewed and approved.
3.0	10.05.2016	Potential NPAs – Policy and Procedures was reviewed and approved.
4.0	27.03.2017	Potential NPAs – Policy and Procedures was reviewed and approved.
5.0	04.06.2018	Potential NPAs – Policy and Procedures was reviewed and approved.
6.0	15.05.2019	The Board observed as follows: 1. Point No. 10 – The order of the Red Flagged Accounts committee should be speaking order. 2. The number of accounts Red Flagged as on date to be informed to the Board. Potential NPAs – Policy and Procedures was reviewed

Version No.	Date of Approval	Directions given by Board of Directors
		and approved.
7.0	30.04.2020	Potential NPAs – Policy and Procedures was reviewed and approved.
8.0	17.04.2021	Potential NPAs – Policy and Procedures was reviewed and approved.

Next Review Date: 31.03.2023. The document should be reviewed every year.

ANNEXURE B

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TAMILNAD MERCANTILE BANK LTD., HEAD OFFICE, THOOTHUKUDI
CREDIT AUDIT MONITORING DEPARTMENT
POTENTIAL NPAs - POLICY AND PROCEDURES 2022-'23

1. Introduction:

1.1 The health of the Credit portfolio in banks in India has been receiving re-iterated regulatory attention, in view of the increasing incidence of Non-Performing Assets (NPAs).

1.2 Accent is on not only in speedy recovery of NPAs but also on the prevention of assets from falling into the NPA category: i.e., identification of Potential NPAs and resolving the related problems.

1.3 This Memorandum seeks to present:

a. The proposed categorization for Stressed Assets in the pre- substandard category.
b. The Bank's policy regarding the category of potential NPAs.
c. Bank's approach towards Potential NPA accounts i.e. on Special Mention Accounts (SMA).
d. Bank's policy on their large borrowers having aggregate fund-based and non fund-based exposure of ₹5.00 crores and above.

1.4 This Memorandum covers Potential NPA of all sectors that is MSME, Agriculture, Retail etc., with more focus on MSME.

2. Potential NPAs: Categorization:

2.1 The present accent being to identify potential NPAs or possible incipient sickness at the earliest opportunity and to help a systematic/prioritized approach, a granular segregation of irregular accounts, well before they reach the Sub-Standard stage is being introduced, based on Health status and the duration of irregularity, as follows:

a. Standard Assets: i. All Regular Accounts.
ii. Irregular Accounts (SMA Accounts):

SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

In the case of revolving credit facilities (Working Capital Limits) like Cash Credit, Overdraft, Running Packing Credit etc., the SMA sub-categories will be as follows:

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-1	31-60 days
SMA-2	61-90 days

b. Sub-standard Assets: Slipped below standard assets by being irregular for 91 days and more

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Default:

- **Non -payment of debt when whole or any or installment of the debt has become due and payable and is not paid by the debtor.**
- **For revolving facilities like Cash Credit and Overdraft,**
  a) **the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power whichever is lower for more than 30 days.**
  b) **No credit operations for more than 30 days.**
  c) **Credits are not enough to cover the interest debited for the previous 90 days period which also includes the day for which the day-end process is being run.**
- **Non submission of stock statements/ other stipulated operation control statements.**
- **Non renewal of facilities based on audited financials for more than 90 days.**
- **Devolvement of Deferred Payment Guarantee (DPG) installments or Letters of Credit (LCs) or invocation of Bank Guarantees (BGs) and its non-payment.**

2.2 **Some key characteristics of Potential NPAs (Special Mention Accounts):**

a. The assets have inherent weakness which requires immediate and close attention.
b. Assets which have deeper malaise, may slip into sickness and become NPAs, with consequent deterioration in client's business well being and repayment capability, with parallel adverse impact on the bank's credit risk and profitability.
c. An asset may be regular in its accounts but may still be sick due to internal causes; thus, parameters other than account position would require analysis to identify potential NPAs.
d. Potential NPAs do not require provisioning as they are not in the NPA stage; this facilitates endeavors like alerting and helping the borrowers on financial parameters etc.

3. **Policy Regarding Potential NPAs**

3.1 Bank has Review policy and Processes relating to Potential NPAs, such as:
a. A software "Early Warning Signals" to identify Irregular accounts, Potential NPAs and Fraud Accounts in large borrowal accounts.
b. **167 triggers are considered as EWS** in the Early Warning Signals software for identifying RFA/ FRAUD accounts.
c. 'Stressed Assets Management Cell' particularly focusing on Head Office Transferred Accounts.

3.2 Likewise, Bank is having a specific Policy and Processes related to Potential NPAs/Special Mention Accounts for the critical reasons that:
a. This is the 'incubator' stage for NPAs.
b. Early recognition, followed by quick, adequate and appropriate initiatives to prevent credit risks is necessary to help and sustain the health of the Credit portfolio and importantly, the healthy growth of business of the clients.
c. It is not easy to detect the causative factors for incipient sickness and to resolve them when the account slips into delinquency.

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3.3 Policy Statement:

Tamilnad Mercantile Bank Ltd is sensitized to the fact that early recognition of Potential NPAs and their resolution through speedy, appropriate and adequate initiatives is critical to support sustained health of both itself and that of its clients and is, therefore, committed to such task.

4. Approach:

Bank approach relating to Potential NPAs and their resolution will include the following:

4.1 Creating a Data Base.

The list of distressed assets are extracted from FINACLE and deployed in MIS portal. All branches / ROs / Departments at HO shall utilize the reports available in MIS environment for follow up and updragation. The database will be updated on T+1 daily basis. Database creation and maintenance will be taken care of by MIS Department with support of the IT Department.

4.2 Followup of Irregular Advances:

It has been decided to implement the followup system for SMA 0 accounts (Principal/interest payment not overdue for more than 30 days but account showing signs of incipient stress) apart from the regular follow up of SMA1, SMA2 and NPA accounts. Prevention is better than cure. When the demand raised is satisfied within 30 days, the recovery system becomes healthy and stabilized. It also educates the borrowers in the right way ensuing the healthy operations.

Hence, Branches are advised to generate the irregular statement of advances upto 30 days (borrowerwise) as on last friday of every month for all the Term Loans and Working Capital Loan accounts. For convenience of the Branches, a separate option No.70 is available in Followup Menu in Finacle. Branches should submit the completed monthly irregular statement to the respective Regional Office within next 3 working days.

After receipt of the statement of irregular advances, the Regional Office should scrutinize the statement within 3 days and give suitable directions to the branches and follow the recovery process taken by the branches. All the Regions should submit a certificate to Recovery department on the first week of the succeeding month confirming the obtention and scrutiny of the Statement of irregular advances.

4.3 Identification of Potential NPAs:

a. **Based on SMA Classification, borrowal accounts shall be flagged at the day-end of that calendar date.**

b. Core Banking System (CBS) shall be used for the aggregate exposure of less than ₹5.00 crores.

c. The Early Warning Signals software shall be used for the aggregate exposure of ₹5.00crores and above.

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d. In addition, the branches/controllers shall also use or apply the five categories of parameters, both Quantitative and Qualitative, listed and placed below.

e. The potential NPAs may not exhibit any specific parameter/parameters. To help identify sickness, a comprehensive matrix of parameters may need to be used.

4.3.1.The Five categories of Parameters:

a) Transaction related Parameters (Quantitative):

These are “visible”, seen in the usual account operations of the client.

- Declining balances/declining operations in the account
- Opening of accounts and routing operations with other banks
- Inordinate delays in payment of bills, short payments.
- Return of outward bills/dishonor of cheques;
- Sales transactions not routed through the account
- Frequent requests for loans, particularly temporary overdrafts, adhoc limits etc.
- Frequent delays in submitting stock statements, incomplete/ false data.
- Delay in QIS : Absence of explanations for deviations.
- Diversion of funds.
- Persistent irregularity in the account (Note:where the probable potential NPA).
- Inordinate delays/ Default in repayment obligations.
- Devolvement of LC/Invocation of Guarantees.
- Inordinate delays in the submission of audited financials (say more than 3 months)
- Wide variation between the projected financials submitted earlier and the audited ones submitted later (normally the variation should not be more than 5%).
- Non compliance of the sanctioned terms & conditions.
- Non submission of periodic information, returns, as stipulated.
- Frequent Overdrawing.
- The balance outstanding in the working capital limits exceeding the Drawing Power.
- Debit/Credit summation not proportion to the estimated turnover of the company.
- Non realization of export bills beyond 180 days from the date of shipment with the bill amount in excess of USD 25000.

b) Financial Parameters – (Quantitative):

These are generally seen in or emanate from the client’s balance sheets and financial statements like cash flows, statement of receivables, income-expenditure statements, quarterly information returns (QIS), Stock audit Reports etc.

Each point would need understanding or analysis.

A comparative analysis with two or three balance sheets would help better evaluation/judgment.

- Declining Sales/ Production.
- Decrease in operating Profit/ Net Profit.
- Increase in Operating losses/net losses.
- Declining profits despite increase in sales.
- Steep fall in Current Ratio / Quick Ratio; in all Management Ratios (relating to stocks, creditors, debtors)
- Negative net working capital (NWC).
- High leverage ratio
- Wide variation in key indices like sales, profits, key financial ratios between those anticipated and the actual.
- Low Debt Service Coverage ratio or actual showing high divergence from those projected.
- High amount of Receivables; increase in debts more than 6 months old.
- High amount outstanding in Sundry Creditors.
- Substantial increase in long-term debts in relation to capital.
- Rising level of bad debts.
- Drop in Risk rating.
- Disproportionate increase in overheads related to sales.
- Increase in loans from outsiders.
- Increase in funds lent / received from sister concerns.
- High level of statutory dues; utility bills.
- Uneven/ Inconsistent cash flow.
- Promoters pledging/selling their shares.
- Non renewal of Working capital limits such as OD / CC / KL / PCL accounts.

c) Operational Parameters: (as related to the Client's Factory Management): some Qualitative, some Quantitative.

Seen during inspections/ stock audits.
Need smart inspection and understanding by inspection staff.
Need analytical discussions with proprietors, key personnel:

- Low activity level in factory/ business.
- Evidence of aged inventory/High level of inventory.
- Pileup in finished goods, returned stocks.
- Cluttered up look; bad maintenance of factory premises, machinery, spares, tools etc.
- A not-so-peaceful ambience; disgruntled workers, frequent labour problems, frequent exit of workmen/supervisor.
- Machinery imbalance in production process.
- Arrears in wages.
- Arrears in utility bills.
- Low productivity; fall in quality standards and value addition.
- Disorderly production process, frequent changes in plans.
- Loss of critical customers
- Time and cost over-run in projects.
- Low order book.
- Non compliance of regulatory requirements.
- Closure of factory for a long time.

d) Management parameter (Qualitative):

Inadequate finance need not necessarily be the major causative factor leading to sickness.

Management ineffectiveness, inadequate administration/ controls also contribute to business decline. Need inspecting staff attention, open discussions with proprietors, market report.

- Infrequent visits by Promoters/Owners.
- Dissension among Partners/Directors/Promoters.
- Exit of partners, key personnel.
- Change in management, ownership, key personnel.
- Family disputes.
- Inadequate keeping of books, poor financial control.
- Fudging of financials.
- Poor production control; inadequate marketing efforts.
- Diversion of attention/ funds to other activities.
- Taking of undue risks.
- Unplanned expansion.
- Unplanned change in products.
- Badly designed production lines.
- Non adoption of better technology.
- In-sensitizing to changing environment and increasing competition.
- Inadequate management to meet environmental challenges.
- Poor HR practices, inadequate training of executives, workmen.
- Poor costing and pricing methodology.

e) External Factors(Qualitative):

These affect the clients business, profit and future, generally not controllable by the client.
Need good perception by operating staff/controllers;
Study of the industry sector involved; use of internet.

- Global/national recession.
- Emergence of new competition.
- Emergence of new technology, competing products.
- Changes in Government, in regulatory policy, in economic policy.
- Rising cost of inputs.
- Import of products at cheaper price.
- Natural calamities.

4.4 Approach/Processes planned:

a. Emphasis on prevention of irregularity:

Reiterated instructions to branches to tighten monitoring action like sending reminders to clients, well before due dates of interest/installment payments, conducting close and meaningful inspections.

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b. **When (initial) irregularity occurs:**

Intensified action by branch officials for cash recovery like sending letters, reaching by phone calls and by personal visits.

In parallel, particularly when the irregularity shows signs of continuance, initiation of direct discussions with the promoters.

c. **Creation of a facilitating ambience for communication:**

- Even at the advent of irregularity, there should be no hardening of approach towards the client, lest communication gets blocked, preventing rational approach by the bank.
- Irregularity in an account could be a symptom of a mere lapse in cash flow-which can be resolved easily. It could also be a signal of a deeper malady requiring closure understanding and analysis.
- In the latter instance, it is critically important that clients feel free to have proactive and open discussions with bank officials; this would help the quick drawing up of comprehensive and strategic rehabilitation programs with full client participation.

4.5 Sensitizing Awareness:

To enthuse, operating officials to take quick action and draw adequate and appropriate plans of resolving the situation/rehabilitate the potential NPA account, in addition to letters, Bank shall hold seminars of officials/ controllers/ inspection department officials to explain the category, the signals to look out for and the approach expected. If necessary, short term training programs will also be organized. Excellent work done in the report will receive appreciation from the management and noting in the performance report.

4.6 Method of Resolution:

These will vary and will be unique to the client involved. Their intensity will relate to the problems identified. For eg. a transient problem caused by inconsistent cash flow or paucity in adequate liquidity (caused by, say, delays in bill payments, unexpected exigencies like payment of additional wages/statutory dues/ spurt in cost of inputs etc.) and which may get evened out over a fairly quick period of time may be met through injections of Adhoc funds, restructuring of the stipulated repayment program in the term loan and changes in the composition, of the working capital loans, reduction in margins etc.

If the cause relates to production process, say, mismatch in machinery, lack of some equipment etc, that may be rectified through designing appropriate term loans.

If an inherent serious sickness is indicated, that would require deeper analysis and planning.

Where Management deficiency is seen, perhaps counseling or the imposition of stiff covenant may be needed.

EXIT from Bank exposure may also become necessary if the problem does not look amenable to resolution in a reasonable period of time. All will, nevertheless, be done at the speediest time possible.

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5. **Formation of Committees:**

To boost up the proactive remedial measures, for early regularization of potential NPAs and for monitoring, two committees shall be formed:

5.1 **Potential NPA accounts up to ₹1.00 crore:**

a. These shall be identified and monitored by the respective Regional Office.
b. The Chief Manager designated for this task at the RO, will collate a list of all potential NPAs in the regions branches applying the parameters listed.
c. The collated list shall be tabulated with all essential data like the particulars of the unit identified, position of accounts, the date from which the account is irregular, the possible reason etc.
d. The Regional Manager will constitute a ‘Regional Monitoring Committee’ (RMC) comprising the RM, CM, the BH concerned, the Credit Officer and where necessary, the Law Officer.
e. The RMC shall meet once in a month, on the $7^{th,}$ or earlier/more frequency when necessary; its quorum shall be three members.
f. The RMC will discuss each unit in detail, involve the client and evolve a plan of resolving the problems/rehabilitation.
g. The RM will submit the financial package so devised before the appropriate sanctioning authority.
h. The branches will operationalize the package quickly. The Branch Head will also initiate discussions with the client.
i. The RM will monitor the progress of each unit closely.
j. The RM will place a monthly report to the Credit Audit Monitoring Department at the Head Office on the details of the meetings held, the packages evolved for each unit, sickness identified, reasons found and the implementation effected.
k. The Officials from Inspection Department will verify the effective functioning of the Committee and the progress made in each package.

5.2 Potential NPA accounts above ₹1.00 crore:

The CAM department shall undertake the following tasks:

a. Identify all potential NPAs with the support of Finacle.
b. Prepare a statement of such potential NPAs as done by the RMC and also meet, as mentioned for the RMC.
c. Form a ‘Head Office Monitoring Committee’ with GM Credit, GM Inspection, GM Recovery & their DGMs/AGMs, with a quorum of three persons.
d. This Committee shall study each unit, suggest remedial measures and prepare a resolving/rehabitation packages for each unit.
e. The discussions shall involve the Branch Head and the client where ever necessary.
f. The financial package shall be placed by CAM before the appropriate sanctioning authority with necessary details and the package sphere-headed by the RM/ BH.
g. The RM will monitor the progress and report to the CAM.

5.3 The CAM shall place fortnightly report to the Committee of Executives at the HO, Monthly report to the Board of Directors.

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6. Modifying the Committee Approach:

The formation of the Committees has been evolved now, to have close attention of the Management as envisaged by RBI and to have the advantage of collective wisdom of people to find solutions.

All operating units - i.e the RO and the branch together develop adequate sensitivity and skills so that delays do not occur in the identification and implementation processes. The officials with skills so developed will help the preparation of the packages as comprehensive as possible, by themselves.

This will reduce, over a period of time, the entire work being done by the Committee.

7. Monitoring of Large Value Borrowal Accounts:

The Reserve Bank of India has given various guidelines on "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy". These guidelines shall also be applicable for lending under Consortium and Multiple Banking Arrangements. The gists of the guidelines are appended below for the usage of the Branches in effective monitoring on large borrowal accounts.

7.1 Reporting information of SMA accounts:

a. The Borrowers having aggregate fund-based and non-fund based exposure of ₹5.00 crores and above with the Bank have come under the purview of monitoring and mandatory reporting to RBI.

b. RBI has formed Central Repository of Information on Large Credits (CRILC) to collect, store and disseminate credit data to Banks.

c. The bank should report Credit Information including classification of an account as SMA to CRILC on all borrower entities having aggregate exposure of ₹5.00 crores and above with the bank. The CRILC – Main Report will be required to be submitted on a monthly basis effective from April 1, 2018.

d. In addition, the Bank has to report list of defaulted borrowers (SMA-0, SMA-1, SMA-2 and NPA) to RBI on a weekly basis at the close of business on every Friday. If Friday happens to be a holiday they will report the same on the preceding day of the week.

e. The Bank has to report list of borrowers of aggregate exposure of ₹5.00 crores and above (SMA-0, SMA-1, SMA-2 and NPA) moving out of the default to RBI on weekly basis with effect from February 23, 2018.

The accounts of the borrower reported as SMA2 as per the report of other Bank/ CRILC should be immediately frozen and any operations of the account exceeding ₹5.00 crores should be done with the permission of Credit Department.

For opening of LC of a SMA2 reported account, prior permission should be obtained from Credit Department.

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7.2 Adoption of Guidelines on Revitalizing Distressed Assets by RBI:

Banks exposure to Large Borrowal Accounts is on increasing trend. The quantum of SMA2 accounts in total SMA account is also on higher side. Hence by knowing the importance of managing the distressed assets, as per RBI guidelines, Bank has implemented "Early Warning Signals" for early detection of fraud and to prevent bad loans arising out of fraudulent activities as detailed separately. The Credit Audit Monitoring Department has to follow the guidelines of RBI related to Large Borrowal Accounts and monitor the accounts effectively so as to keep the quantum of distressed large borrowal accounts at a lower level.

All the reporting to CRILC shall be done by Credit Audit Monitoring Department through the MIS Department of the Bank. The Department shall coordinate with Credit Department and Recovery Department for the effective implementation of RBI guidelines.

7.3 Non Co-operative Borrowers:

A non co-operative borrower is one who does not engage constructively with his lender by defaulting in timely repayment of dues while having ability to pay, thwarting lenders' efforts for recovery of their dues by not providing necessary information sought, denying access to assets financed/ collateral securities, obstructing sale of securities, etc. In effect, a non- co operative borrower is a defaulter who deliberately stone walls legitimate efforts of the lenders to recover their dues.

a. Cutoff limit for classifying Non Co-operative Borrowers :

The cut off limit for classifying borrowers as non-cooperative would be those borrowers having aggregate fund-based and non-fund based facilities of ₹5.00 crores from the concerned bank /FI. A non-Cooperative borrower in case of a company will include, besides the company, its promoters and directors (excluding independent directors and directors nominated by the Government and the lending institutions). In case of business enterprises (other than companies), non-cooperative borrowers would include persons who are in-charge and responsible for the management of the affairs of the business enterprise.

b. Committee of Executives for classification of Non-Cooperative Borrowers :

A transparent mechanism for classifying borrowers as non-cooperative is required to be put in place. Accordingly the bank shall have a committee of higher functionaries with General Managers of Credit Department, Recovery Department and Inspection Department, DGM of Credit Audit Monitoring Department.

c. Show Cause Notice to the Non-Cooperative Borrowers :

If the committee concludes that the borrower is non-cooperative, it shall issue show cause notice to the concerned borrower (and the promoter/whole time directors in case of company) and call for his submission, and after considering his submission, issue an order regarding the borrower to be non-cooperative borrower and the reason for the same. An opportunity is required to be given to the borrower for a personal hearing, if the Committee feels such an opportunity is necessary.

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d. Review Committee:

The order of the Executive Committee should be reviewed by another Committee headed by the Managing Director & CEO and consisting of two directors of the Bank and the order shall become final only after it is confirmed by the Review Committee.

e. Reporting of Non-Cooperative borrowers to CRILC :

Banks are required to report information on the Non-Cooperative borrowers quarterly within 21 days from the close of the relevant quarter to CRILC. Declassification considering the merits of the case, on review of the non-cooperative borrowers by the Board, need to be reported separately every half-year to CRILC, with adequate reasoning/rationale for such removal.

f. Review of the status of Non-Cooperative borrowers by Board :

The Board of the Bank should review the status of non-cooperative borrowers for deciding whether their names can be declassified as evidenced by their return to credit discipline and cooperative dealing.

The Credit Audit Monitoring Department has to collect the details of non co-operative borrower of all the branches through their respective regions. It is the Department's responsibility to conduct the meeting of Committee of Executives for identifying Non-Cooperative Borrowers and issuing show cause notice to them. The decision has to be placed in the Review committee of the Board on Non-Cooperative Borrowers for confirming of the classification. The Credit Audit Monitoring Department has to place Half-Yearly note to the Board for review of the status of Non-Cooperative Borrower. And also the Department has to report on the Non-Cooperative Borrowers on quarterly basis within 21 days from the close of the relevant quarter to CRILC and declassification of the Non-Cooperative Borrowers has to be reported to the CRILC separately with adequate reasoning/rationale for such removal on half yearly basis.

7.4 Resolution of stressed assets:

7.4.1 Resolution Plan (RP):

The Reserve Bank of India has decided to substitute the existing guidelines with a harmonized and simplified generic framework for resolution of stressed assets called Resolution Plan (RP). A Resolution Plan is one which involves actions/ plans/ reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring.

7.4.2 Implementation of Resolution Plan (RP):

A Resolution Plan can be implemented by banks who continue to have credit exposure in respect of the borrowers if the following conditions are met.

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Once a borrower is reported to be in default by any of the lenders, lenders shall undertake a prima facie review of the borrower account within thirty days from such default ("Review Period").

- During this Review Period of thirty days, lenders may decide on the resolution strategy, including the nature of the Resolution Plan, the approach for implementation of the Resolution Plan, etc.
- The lenders may also choose to initiate legal proceedings for insolvency or recovery.
- If the aggregate exposure of lenders is ₹1 billion and above, shall require Independent Credit Evaluation (ICE) of the residual debt by Credit Rating Agencies (CRAs) specifically authorized by the Reserve Bank for this purpose.
- The accounts with aggregate exposure of ₹5 billion and above shall require two such ICEs,
- Only such Resolution Plans which receive a credit opinion of RP4 (Moderate Credit Risk) or better from one or two CRAs, as the case may be, shall be considered for implementation.

A Resolution Plan shall be deemed to be 'implemented' only if the following conditions are met:

a. A Resolution Plan which does not involve restructuring / change in ownership shall be deemed to be implemented only if the borrower is not in default with any of the lenders as on 180th day from the end of the Review Period.

    - Any subsequent default after the 180 day period shall be treated as a fresh default, triggering a fresh review.

b. A Resolution Plan which involves restructuring / change in ownership shall be deemed to be implemented only if all of the following conditions are met:

    - all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities, are completed by the lenders concerned in consonance with the Resolution Plan being implemented;
    - the new capital structure and / or changes in the terms of conditions of the existing loans get duly reflected in the books of all the lenders and the borrower; and,
    - borrower is not in default with any of the lenders.

A Resolution Plan involving recovery action shall be deemed to be implemented only if the exposure to the borrower is fully extinguished.

7.4.3 Procedure for implementing Resolution Plan:

a. All lenders shall enter into an Inter-Creditor Agreement (ICA), during the above-said Review Period.
b. The ICA shall provide that any decision agreed by lenders representing 75 per cent by value of total outstanding credit facilities (fund based as well non-fund based) and 60 per cent of lenders by number shall be binding upon all the lenders.

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c. The Resolution Plans shall provide for payment not less than the liquidation value due to the dissenting lenders.
d. Resolution Plan shall be implemented within 180 days from the end of Review Period.

7.4.4 Timeline for Implementation of Resolution Plan (RP):

The Review Period shall commence not later than:

a. The reference date, if in default as on the reference date; or
b. The date of first default after the reference date.

The reference dates for the above purpose shall be as under:

Aggregate exposure of the borrower to lenders mentioned at 3(a), 3(b) and 3(c)	Reference date
₹20 billion and above	Date of these Directions i.e 07.06.2019
₹15 billion and above, but less than ₹20 billion	January 1, 2020
Less than ₹15 billion	To be announced in due course

The Resolution Plan may involve any action / plan / reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership and restructuring.

- The Resolution Plan should be clearly documented by the lenders concerned.

7.4.5 Additional provisions:

Where a viable Resolution Plan in respect of a borrower is not implemented within the timelines given below, all lenders shall make additional provisions as under:

Timeline for implementation of viable Resolution Plan	Additional provisions to be made as a % of total outstanding, if Resolution Plan not implemented within the timeline
180 days from the end of Review Period	20%
365 days from the commencement of Review Period	15% (i.e. total additional provisioning of 35%)

The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

a. The provisions already held; or,
b. The provisions required to be made as per the asset classification status of the borrower account.

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The additional provisions shall also be required to be made in cases where the lenders have initiated recovery proceedings, unless the recovery proceedings are fully completed.

Reversal of Additional provisions:

(a) Where the Resolution Plan involves only payment of overdues by the borrower,

Only if the borrower is not in default for a period of 6 months from the date of clearing of the overdues with all the lenders.

(b) Where Resolution Plan involves restructuring / change in ownership outside IBC.

Upon implementation of the Resolution Plan.

(c) Where resolution is pursued under IBC –

- Half of the additional provisions made may be reversed on filing of insolvency application.
- Remaining additional provisions upon admission of the borrower into the insolvency resolution process under IBC.

(d) Where assignment of debt / recovery proceedings are initiated

Upon completion of the assignment of debt / recovery.

7.4.6 Specified Period:

Specified period means the period from the date of implementation of Resolution Plan (RP) upto the date by which at least 20 percent of the outstanding principal debt as per the RP and interest capitalization sanctioned as part of the restructuring, if any, is repaid. Provided that the specified period cannot end before one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with longest period of moratorium under the terms of Resolution Plan (RP).

Any default in payment after the expiry of the specified period shall be reckoned as a fresh for the purpose of this frame work.

For other accounts with aggregate exposure of the banks for the aggregate credit exposure of above ₹100.00 crores and below ₹2000.00 crores, RBI will announce reference dates for implementing the RP to ensure calibrated, time bound resolution of all such account in default over a two year period.

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7.5 Restructuring of Micro, Small and Medium Enterprises (MSME) Sector Advances

As a measure of support to GST registered MSME borrowers in their transition period during GST implementation in repaying obligations to Banks/NBFCs, RBI has permitted to continue the borrower accounts to be classified as Standard Asset subject to certain norms. Subsequently, RBI has permitted the Banks/NBFCs to classify all MSMEs including those not registered under GST as Standard Asset subject to certain norms. In continuation of the above relief measures, offered to the MSME sectors RBI has now introduced a One-time relief of restructuring of existing loans to MSMEs classified as "Standard" without a downgrade in the asset classification.

The aim of restructuring is to identify the incipient sickness in the MSME loans and advances and take corrective steps in overcoming the same and to help the units to come out of the problems.

<u>Eligibility:-</u>

a) Applicable to the MSME units having aggregate exposure upto and inclusive of ₹25.00 crores as on 01.03.2020.

b) The borrower entity should be a GST registered entity on the date of implementation of the restructuring. However, this provision is not applicable to borrowers that are exempt from GST regulations as per Government norms.

c) The credit limits availed by the borrower should have been a Standard Asset as on 01.03.2020 and continues to be classified as a "Standard Asset" till the date of implementation of restructuring.

d) Accounts which have already been restructured in terms of the earlier circular of RBI dt.01.01.2019 shall be ineligible for restructuring under this scheme.

<u>Restructuring Package Norms:-</u>

a) The restructuring package may involve modification of repayment period / repayable amount in installments / rate of interest / sanctioning of additional moratorium period and additional credit facilities including FITL etc.

b) Restructuring will be effected and implemented on or before March 31, 2021.

c) The maximum repayment period to be considered for restructuring is 84 months only. Restructuring should not be done with retrospective effect.

<u>Asset Classification Norms:-</u>

a) The credit limits availed by the borrower should be Standard asset as on 01.01.2020 and continues to be classified as "Standard Asset" till the implementation of the restructuring.

b) A provision of 5% in addition to the provisions already held should be made in respect of accounts restructured for the credit limits considered under this scheme. The bank will, however, have the option of reversing such provisions at the end of the specified period, subject to the account demonstrating satisfactory performance during the specified period.

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Specific Period:-

'Specified Period' means a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package. 'Satisfactory Performance' means no payment (interest and / or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

a) Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.
b) Accounts classified as NPA can be restructured. However, the extant asset classification norms governing restructuring of NPAs will continue to apply (i.e downgrading of asset classification).
c) As a general rule, barring the above one-time exception, any MSME account which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classifications and higher provisioning requirements as per extant IRAC norms. Such an account may be considered for upgradation to 'standard' only if it demonstrates satisfactory performance during the specified period.

7.7 Early Warning Signals (EWS)/ Red Flagged Accounts (RFA):

Early Warning Signals are the indicative of potential problems in the accounts. It enables to identify the borrower accounts which show signs of credit deterioration and needs remedial action.

A Red Flagged Account (RFA):

A Red Flagged Account (RFA) is one where a suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signals (EWS). These signals in a loan account should immediately put the bank on alert regarding a weakness or wrong doing which may ultimately turn out to be fraudulent. The bank must use EWS as a trigger to launch a detailed investigation into a RFA.

Objectives:

The objective of this framework is to direct the focus of banks on the aspects relating to prevention, early detection, prompt reporting to the RBI. Accordingly the concept of Red Flagged Account **(RFA)** and Early Warning Signals **(EWS)** are emerged.

List of EWS:

The RBI has given an illustrative list of some **Early Warning Signals** for follow up and also advised the banks to choose to adopt or adapt the relevant signals from this list and include other alerts/signals based on their experience, client profile and business models. The **167 EWS parameter** so complied by a bank would form the basis for classifying an account as a RFA. **The 167 triggers available in the Early Warning Signals software are categorized as given in Annexure – II.**

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Threshold Limit for identifying Early Warning Signals (EWS):

a) The RBI has suggested threshold for EWS and RFA is an exposure of ₹50.00 crores or more irrespective of the banking arrangement (sole banking, multiple banking or consortium). All accounts beyond ₹50.00 crores classified as RFA or 'Frauds' must also be reported on the CRILC data platform together with the dates on which the accounts were classified as such.
b) Further, the RBI has advised the banks to fix the threshold limit below ₹50.00 crores for monitoring of loan frauds is left to the discretion of the banks. Accordingly, Bank is monitoring the loans/advances with exposure of ₹5.00 crores and above since 01.09.2020.

Committees for classification of Red Flag Accounts (RFA):

As per the guidance of RBI, the following groups were formed in the Bank for this purpose represented by top executives of the Bank.

a. **Credit Risk Management Group (CRMG)** – Headed by General Manager (CAM) comprising Deputy/ Assistant General Manager, Chief/ Senior Manager, Assistant Manager of CAM Department.

b. **Credit Monitoring Group (CMG)** – **Headed by General Manager (OSD)** comprising of General Manager (Credit), General Manager (CAM), DGM/ AGM (CAM Department), DGM (Risk Department) as convenor and Chief Manager (CAM) as co-ordinator.

Functions of the Groups:

a. **Credit Risk Management Group (CRMG):**

After full-fledged Automation, the EWS System itself computes Decision Matrix Score based on the 5 Parameters 1) Transactional 2) Financial 3) Non-Financial 4) External and 5) Statistical. Higher the Score, higher is the risk.

- **The details of accounts with Decision Matrix Score above 50% are submitted before the Credit Monitoring Group (CMG). In addition, a consolidation report on borrowal accounts with Decision Matrix Score upto 50%. The directions from CMG shall be communicated to branches & Regions and Sanctioning Authority for rectification. The action taken report of the directions is submitted to CMG, subsequently.**

- Fraud cases if any identified by CMG shall be forwarded to Disciplinary and Fraud Management Cell for a Special investigation and subsequent action.

b. **Credit Monitoring Group (CMG):**

The CMG shall take a call on the loan accounts observed in EWS are classified as RFA properly. In case the account is classified as RFA, the CMG shall stipulate the nature and level of further investigations or remedial measures wherever necessary to protect the Bank's interest within a stipulated time of not exceeding six months.

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- Before taking final decision on RFA, CMG can also seek advice from the external auditors, including forensic experts or an internal team for Investigations if necessary. At the end of this time line, not exceeding six months, banks should either lift the RFA status or classify the account as a fraud.

- The CMG shall classify the account as RFA and the details of RFA accounts shall be put up to MD & CEO on every month. If any Red Flagged account is identified as Fraud account, the same shall be reported to our Disciplinary and Fraud Management Cell for their further follow up, reporting and action.

- An action taken report on the RFA accounts shall be put up to the Audit Committee of Board with the Synopsis of the remedial action taken together with their current status.

- If any account is classified as RFA/ Fraud, the status of such RFA/ Fraud account must be reported to CRILC platform, so that other Banks shall get alerted. Within 15 days, the bank shall approach the consortium leader under consortium advance or the largest lender under MBA as the case may be for a JLF meeting for a coordinated legal action.

The Bank shall mark the borrowal account as RED FLAGGED ACCOUNT (RFA) based on either the Early Warning Signals (EWS) or explicit information available including classified by other bank(s) as RFA.

In order to strengthen the monitoring system with automation, and to cover comprehensive fraud scenarios in accordance with the RBI guidelines, **Automated EWS software “CrisMac” was implemented in our Bank in tie up with M/s.D2K Technologies India P Ltd on 01.07.2021.**

The scope of the software:

- **Fully parameterized and automated Trigger processing & scoring**
- **Institutional memory insures against attrition of key person & continuity in monitoring**
- **Action-oriented approach at Response to Early Warning Signals**
- **Tracking stress of forward, backward linked entities along with promotors area of diversification.**
- **Enables bank to even identify suitable new Corporate loans (Credit Analysis)**

- **In-built business logics for Transaction Analysis from a Banker's perspective:**

  - **Round- tripping entries identification**
  - **Suspicious transaction from suppliers**
  - **Suspicious transaction to clients**
  - **Transaction with associate companies**
  - **Transactions with Directors, Propertrix, Partner, Guarantor etc.**

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- **Pattern based Approach at Transaction Analysis**

    - **Industry Level analysis**
    - **Customer Level analysis**
    - **Account Level analysis**
    - **Transactions of Company with respect to peer accounts (if present)**

- **Rule-based model to enable Bank specific rules/ overrides with parameter based weightages.**
- **Self-learning models that back-test periodically.**
- **Feedback to Bank to help them to improve and tune their weightages/ rules better**
- **Avoids Analysis Paralysis due to numerous alerts.**
- **Avoids Interpretation bias from multiple reports.**

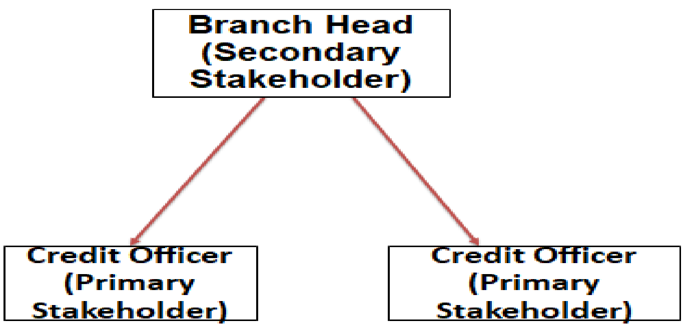
At present Bank is monitoring the loans/advances accounts having exposure of ₹5.00 crores and above through the software. The software shall be access through URL Production Site**: http://10.30.34.43/EWS_PROD_APP/Login/Login#/Index.**

Working of CrisMac Solution:

CrisMac Software derives the data from Finacle through MIS portal and Public Domains like external rating, suit filed by / against the company, NCLT, MCA Portal, in which financials of companies, Shell companies, strike off companies, resignation of Director / Managing Director. The software generates triggers and push alerts to us. In case of financial statements of Individual, proprietorship, partnership and trust, a separate option has been provided in MIS portal to update the audited and projected financial statements. Score is given based on the risk involved which varies from 0 to 8.

The EWS software throws the triggers based on the 167 parameters. The high scored parameters are triggered as notified triggers. The notification of trigger is sent to the Branch Head and Credit Officer at branch by email to their individual e-mail ID/ by SMS to their respective phone number provided to officers by our Bank.

Branch level User Management flow:



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Operational Guidelines regarding closure of Triggers:

a. The borrowal accounts related to the branch are available under Branch Head (Secondary Stakeholder).

b. The Branch Head should allot the borrowal accounts to the Credit Officers (Primary Stakeholder) of the branch to monitor the triggers in the borrowal account allotted.

c. Triggers generated in the software should be closed and monitored by the credit officer for whom the borrowal account has been allotted.

d. Credit Officer / Branch Head can submit their compliance.

e. The triggers get closed when compliance is submitted by the branch.

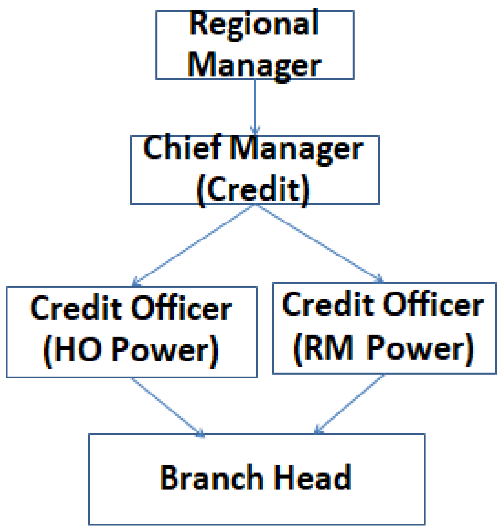
f. The compliance can be viewed by the stakeholders at Regional Office/ Head Office.

g. If the compliance submitted by the branch is not satisfactory, secondary stakeholder/ info stakeholders at Branch/ Regional Office/ Head Office have the privilege to reopen it and instruct the branch to resubmit the compliance properly so as to safe guard our advance.

h. The triggers generated can be viewed by all officers in the branch.

i. The triggers should be attended / closed within 3 days from the date of generation of triggers otherwise it will be escalated to the primary/ secondary stakeholders at Branches/ Regional Office.

Regional level User Management flow:



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Operational Guidelines regarding closure of Triggers:

a. All the officers in the Region can view the triggers generated in the borrowal accounts related to the branches under their control are shown in the system

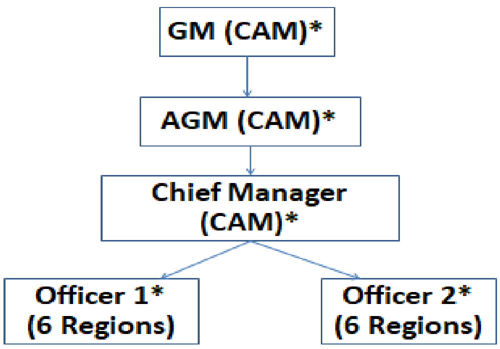
b. Credit Officer (RM power/ HO power) should follow with the branches for closure of the triggers generated in the borrowal accounts sanctioned under RM power/ HO power respectively on daily basis.

c. If the compliance submitted by the branch is not satisfactory, the stakeholders at Regional Office should reopen it and instruct the branch to resubmit it.

d. Any unattended / unclosed trigger more than 3 days will be escalated on the 7th day from the date of overdue of trigger closure to the stakeholders at Regional Office.

e. The triggers which are serious in nature, non closed/ un attended/ closed triggers in the borrowal accounts will be intimated by SMS and email (bank's staff email ID), to the allotted credit officer, CM and RM on daily basis.

Head Office level User Management flow:



*** Info Stakeholders**

a) All the officers in CAM Department can view the triggers generated in the borrowal accounts.

b) Credit Officers at CAM Department shall follow with the Regional Offices for closure of the triggers generated in the borrowal accounts on daily basis.

c) If the compliance submitted by the branch is not satisfactory, the credit officers at CAM Department shall reopen it and instruct the branch to resubmit it.

d) Any unattended / unclosed trigger more than 10 days will be escalated on the 14th day from the date of overdue of trigger closure to the info stakeholders at Head Office.

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e) **The triggers which are serious in nature, non closed/ un attended/ closed triggers in the borrowal accounts will be intimated by SMS and email (bank's staff email ID), to the allotted credit officer, AGM and GM at CAM Department on daily basis.**

The final Decision Matrix (scores) as per CrisMac Solution is as follows:

Decision code	Score %	Explanation
DM 0	0 -50	Normal Risk Account
DM 1	51-60	Low Risk Account
DM 2	61-70	Moderate Risk Account
DM 3	71-80	Inadequate Safety.
DM 4	81-90	High Risk
DM 5	>91	Cautious

Reporting of Red Flag Accounts (RFA) to CRILC:

If any account with credit limits of ₹3.00 crores and above is classified as RFA/ Fraud, the status of such RFA/ Fraud account must be reported to CRILC platform, so that other Banks shall get alerted. Within 15 days, the bank shall approach the consortium leader under consortium advance or the largest lender under MBA as the case may be for a JLF meeting for a coordinated legal action.

Moreover, at the end of this time line, which cannot be more than six months, banks should either lift the RFA status or classify the account as a fraud.

Penal Measures:

a. Borrowers who have defaulted and also committed a fraud from the Banking System or from the Capital Markets by companies etc. would be debarred from availing bank finance from Scheduled Commercial Banks, Development Financial Institutions, Government Owned NBFCS, investment Institutions etc. for a period of five years from the date of full payment of the defrauded amount. After this period, it is a individual institution's decision to take a call on whether to lend to such a borrower.

b. No restructuring or grant of additional facilities may be made in the case of Red Flagged Account.

c. No compromise settlement is allowed unless the conditions stipulated that the criminal complaint will be continued.

<u>8. Review:</u>

This policy for 2022-'23 is placed before the board for review and approval. **This policy will be in force upto March 2023** and will be reviewed thereafter, with fresh guidelines of RBI and/or as desired by the Board/Management, being incorporated.

Annexure- I

<u>Signs of Stress</u>

Illustrative list of signs of stress for categorizing an account:

1. Delay in (a) submission of stock statement / other stipulated operating control statements or (b) credit monitoring or financial statements or © non-renewal of facilities based on audited financials.

2. Actual sales / operating profits falling short of projections accepted for loan sanction by 40% or more: or a single event of non-cooperation/prevention from conduct of stock audits by banks, or reduction of Drawing Power (DP) by 20% or more after a stock audit, or evidence of diversion of funds for unapproved purpose, or drop in internal risk rating by 2 or more notches in a single review.

3. Return of 3 or more cheques (or electronic debit instructions) issued by borrowers in 30 days on grounds on non-availability of balance/DP in the account or return of 3 or more bills/cheques discounted or sent under collection by the borrower.

4. Devolvement of Deferred Payment Guarantee (DPG) installments or Letters of Credit (LCs) or invocation of Bank Guarantees (BGs) and its non-payment within 30 days.

5. Third request for extension of time either for creation or perfection of securities as against time specified in original sanction terms or for compliance with any other terms and conditions of sanction.

6. Increase in frequency of overdrafts in current accounts.

7. The borrower reporting stress in the business and financials.

8. The promoter(s) pledging/selling their shares in the borrower company due to financial stress.

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Annexure - II

List of Triggers available in CrisMac Solutions

CRISMAC solution analyzes the borrowal accounts based on 167 parameters as per the categorization mentioned below:

Sl.No	Parameters	No.of Triggers
1.	**RBI Triggers**	43
2.	**DFS Triggers**	75
3.	**D2K Triggers**	49
TOTAL		**167**

RBI Triggers:

Sl.No	Description of Triggers
1	Bouncing Of High Value Cheques
2	Foreign Bills Remaining Outstanding With The Bank For A Long Time And Tendency For Bills To Remain Overdue
3	Delay Observed In Payment Of Outstanding Dues
4	Frequent Invocation Of BGs And Devolvement Of LCs
5	Funds Coming From Other Banks To Liquidate The Outstanding Loan Amount Unless In Normal Course
6	In Merchanting Trade, Import Leg Not Revealed To The Bank
7	Funding Of The Interest By Sanctioning Additional Facilities
8	Frequent Ad Hoc Sanctions
9	Not Routing Of Sales Proceeds Through Consortium I Member Bank/ Lenders To The Company
10	LCs Issued For Local Trade I Related Party Transactions Without Underlying Trade Transaction
11	High Value RTGS Payment To Unrelated Parties
12	Heavy Cash Withdrawal In Loan Accounts
13	Large Number Of Transactions With Inter-Connected Companies And Large Outstanding From Such Companies
14	Substantial Related Party Transactions
15	Default In Undisputed Payment To The Statutory Bodies As Declared In The Annual Report
16	Frequent Change In The Scope Of The Project To Be Undertaken By The Borrower
17	Under Insured Or Over Insured Inventory
18	Invoices Devoid Of TAN And Other Details
19	Dispute On Title Of Collateral Securities
20	Request Received From The Borrower To Postpone The Inspection Of The Godown For Flimsy Reasons
21	Exclusive Collateral Charged To A Number Of Lenders Without NOC Of Existing Charge Holders

Sl.No	Description of Triggers
22	Concealment Of Certain Vital Documents Like Master Agreement, Insurance Coverage
23	Critical Issues Highlighted In The Stock Audit Report
24	Liabilities Appearing In ROC Search Report, Not Reported By The Borrower In Its Annual Report
25	Frequent Request For General Purpose Loans
26	Non Production Of Original Bills For Verification Upon Request
27	Costing Of The Project Which Is In Wide Variance With Standard Cost Of Installation Of The Project
28	Claims Not Acknowledged As Debt High
29	Poor Disclosure Of Materially Adverse Information And No Qualification By The Statutory Auditors
30	Raid By Income Tax /sales Tax/ Central Excise Duty Officials
31	Significant Reduction In The Stake Of Promoter /director Or Increase In The Encumbered Shares Of Promoter/director
32	Resignation Of The Key Personnel And Frequent Changes In The Management
33	Floating Front / Associate Companies By Investing Borrowed Money
34	Significant Movements In Inventory, Disproportionately Differing Vis-A-Vis Change In The Turnover
35	Significant Movements In Receivables, Disproportionately Higher Than The Growth In Turnover
36	Disproportionate Change In Other Current Assets
37	Significant Increase In Working Capital Borrowing As Percentage Of Turnover
38	Increase In Fixed Assets, Without Corresponding Increase In Long Term Sources (when Project Is Implemented)
39	Increase In Borrowings, Despite Huge Cash And Cash Equivalents In The Borrowers Balance Sheet
40	Frequent Change In Accounting Period And/or Accounting Policies
41	Substantial Increase In Unbilled Revenue Year After Year
42	Material Discrepancies In The Annual Report
43	Significant Inconsistencies Within The Annual Report (between Various Sections)

DFS (Department of Financial Services) Triggers:

Sl.No	Description of Triggers
1	No. Of Times Account Turns SMA-2 In 6 Months
2	Delay In Interest Servicing Days
3	Delay In Servicing Of Interest - No. Of Times Delayed In 6 Months
4	Continuous Flow Of Funds Among Intergroup Companies Within The Bank (Amount Of Transactions)
5	Continuous Flow Of Funds Among Intergroup Companies (no. Of Transactions)
6	Frequent Return Of Outward Cheques
7	Number Of Inward Cheque Returns In Last 30 Days
8	Frequent Return of Bills Discounted or Sent for Collection
9	BG Invocation
10	Non-Renewal Of Facilities

Sl.No	Description of Triggers
11	Credit summations not matching reported sales in proportion to banks share
12	Irregularity count in last 6 months
13	Average Utilisation of FBWC Limits
14	Number Of Consecutive Months With Decline In Credit-Debit Summation
15	Heavy Cash Withdrawal
16	LC Devolvement
17	Crystallization Of Export Bills
18	Delay In Repayment Of Installment / Interest Not Serviced
19	Raid Or Imposition Of A Penalty By Government Agencies On The Company
20	Disputes Among Management/Promoters/JV Partners
21	Labour Unrest
22	Delay In Project Implementation
23	Negative News About Borrower/Industry
24	Negative News Other Than Specific For Borrower/Industry
25	Business Expansion To Areas Outside Core Business/backward Or Forward Integration
26	Delay In Submission Of Stock Statement (SME)
27	Change In Internal Ratings
28	Change In External Ratings
29	Borrower Reported As Defaulter By Other Bank(s) In CRILC
30	Regulatory Changes Adversely Affecting The Industry
31	Frequent Changes In Top Management / Key Executives
32	Resignation Of Independent Directors Within A Short Span Of Time
33	Non-Submission Of Audited Financials Of Borrower And Associate Companies
34	Pending Perfection Of Security/charges
35	Delay in Payment or Non-Payment of Statutory Dues
36	Frequent Utility Disruption (e.g. Power/water Etc.) At Borrower-End
37	Danger Of Product/technology Obsolescence Or Introduction Of Cheaper Substitutes
38	High Rejection Of Goods
39	Pledging/selling Of Promoters Shares In The Borrower Company Due To Financial Stress
40	Continuous Decline In Share Price In Last Quarter
41	Non-Compliance With Sanction Terms
42	Frequent Change In Statutory Auditors (2 Consecutive Years)
43	Borrower, Promoters/director /associates/ Group Companies In The Lists Of Defaulters
44	Decline In Quarterly Capacity Utilization
45	Instance of Loss of a Major Customer Of Borrower
46	Frequent Change In Rating Agency
47	Indication Of Fraud
48	Withdrawal By Project Sponsor/funding Agency Or Delay In Receipt Of Subsidy
49	Primary Security Under-Insured
50	Depletion in the value of Security (Primary)
51	Unhedged Foreign Currency Exposure
52	Unfavourable Trends in Borrower Value Chain (Upstream/Downstream Industries)

Sl.No	Description of Triggers
53	Difference In The Value Of Stocks In ABS Vis-a-Vis Stock Statement
54	Gross Current Assets As Days Sales
55	Debt To Equity
56	Interest Coverage Ratio
57	TOL/TNW
58	Current Ratio
59	Net Profit Margin
60	Total Debt/EBITDA
61	Quick Ratio
62	Net Sales To Total Assets
63	RoNW
64	Return on Equity / Networth
65	Return on Capital Employed
66	Net Cash Accrual To Net Sales
67	Adjusted TNW
68	EBITDA Margin
69	Decrease Consistently In Interest Coverage Ratio (as On 31st March)
70	Increase in Holding Levels of Stocks Against Estimates (Monthly)
71	Days Inventory As Cost Of Sales
72	Debtors As Days Sales
73	Net Cash Accrual To Total Debt
74	Net Sales
75	Increase in Holding Levels of Debtors Against Estimates (Monthly)

D2K Triggers:

Sl.No	Description of Triggers
1	Unseasonal Transfer
2	DP is Continuously Less than Sanctioned Limit
3	Percentage of Amount Transferred to Client to Credit Turnover (1 Year)
4	Percentage of Amount Credited by Suppliers to Credit Turnover (1 Year)
5	O/S Balance Continuously More than DP
6	Reversal of 80% Credit in First 5 Days of the Month
7	Account Was Classified As NPA in the Preceding 12 Month Ends, But Now the Account is Standard
8	Cheques or Cash Deposited on the Last 2 Days of Previous Month
9	Percentage of Round Tripped Amount to Credit Turnover (1 Year)
10	Penal Interest Debit
11	Any Repayment from Sources Other Than The Business For Which The Loan Was Sanctioned
12	Insolvency Proceedings (NCLT) Initialization Against The Company
13	Account Moving To Below Investment Grade
14	Adverse Comments in - Inspection Audit Report
15	Associate Company Is Under Process of Striking Off
16	Company Is Under Process Of Striking Off
17	Adverse comments in - Spot inspection

Sl.No	Description of Triggers
18	Auditor is Present in Fraud Auditors List
19	Adverse Comments in - Inst. Memory Remarks
20	Adverse Comments In - News & Twitter
21	Number of Suits Filed Against Company
22	Number of Suits Filed By Company
23	Suits Filed Against Company in Last 1 Year
24	Previously The Company Is In Under Process Of Striking Off
25	Adverse comments in - Appraisal/Enhancement Notes
26	Operating Loss / Net Loss during the Previous Year
27	Ratio Comparison With Peers Median - EBITDA/Share
28	Ratio Comparison With Peers Median - Return on Assets
29	Ratio Comparison With Peers Median - Operating Profit Margin
30	Ratio Comparison With Peers Median - Return on Equity (Networth)
31	Ratio Comparison With Peers Median - Operating Profit / Total Assets
32	Ratio Comparison With Peers Median - Net Profit Margin
33	Ratio Comparison With Peers Median - Total Debt / Equity
34	Ratio Comparison With Peers Median - Asset Turnover Ratio
35	Ratio Comparison With Peers Median - Current Ratio
36	Ratio Comparison With Peers Median - Quick Ratio
37	Ratio Comparison With Peers Median - Inventory Turnover Ratio
38	Ratio Comparison With Peers Median - Earnings Retention Ratio
39	Ratio Comparison With Peers Median - Short Term Debt / Total Debt
40	Ratio Comparison With Peers Median - Times Interest Earned
41	Ratio Comparison With Peers Median - TOL / TNW
42	Ratio Comparison With Peers Median - Return on Capital Employed
43	Ratio Comparison With Peers Median - Current Assets to Revenue
44	Ratio Comparison With Peers Median - Fixed Assets to Revenue
45	Ratio Comparison With Peers Median - Inventory to Revenue
46	Ratio Comparison With Peers Median - Contingent Liability to Total Outside Liabilities
47	Ratio Comparison With Peers Median - Contingent Liabilities to Reserves
48	Increase in Operating Expenses without any Increase in Sales During the Year
49	Increase in Cost of Borrowing Compared to Previous Year

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