

*The Sultan's Battery Co-operative  
Urban Bank Ltd*



# CREDIT POLICY

The Credit policy intends to control credit risk and procedure to be followed to sanction an advance.

#### **References:-**

The following documents have been referred in the course of preparation of this document

- Guidelines Issued by RBI from time to time
- Guidelines Issued by the Registrar of Co-operative Societies
- Bye-laws of the Bank
- The Bank loan sub rules approved by the Board of Directors

#### **Loan Origination**

The bank's policy is to cater to the needs of members who are generally of moderate means, the purpose of the advances need to be need based and productivity oriented so that repayment is ensured. The unsecured loans should be as minimum as possible within frame work of RBI guidelines.

#### **Broad features of the policy**

All Loans & Advances shall be granted in accordance with the rules & policies framed by the Board of Directors as per the guidelines issued in this regard by RBI and government from time to times

Loans & Advances may be granted to individuals, partnership firms, limited companies, trusts, societies, Kudumbasree /Self Help Groups, JLGs and licensed builders/contractors, staff of the bank at the discretion of the delegated authorities. The advances so granted can be in the form of overdrafts, cash credits, cheque and bill purchases (IBP), term loans, personal surety loans, pledge loans, bank guarantee, deposit loans and can be granted against security of fixed asset, machinery, and hypothecation, pledge or against book debts or a personnel finance or against security like gold at the discretion of the respective delegated authorities.

Loans & advances (excluding Jewell /Pledge/ Deposit loans/ salaried employees upto limit of Rs,2,00,000/- ) will be granted after verification of Credit Score of the applicant. Minimum score prescribed is 600 and if a Manager recommend a loan of an applicant whose credit score is below 600 he /she should specify why he has recommended such credit proposal. The Bank will prescribe the term of repayment and installments by which loans are to be repaid. Bank will charge interest at monthly rest. For Agriculture loans bank will charge simple interest. The Board shall formulate or launch new schemes, based on the needs of the customers and to protect the interest of the depositor. The scheme description will contain among other things, product brand name, target customers, maximum lending amount, recommended lending rate, documents to be obtained, installments and periods of repayment in case of loans, exceptional conditions like moratorium if any to any loan, inspection requirements and authority to carry out inspection and any additional subscriptions to shares etc.

The Bank has prescribed a set of documents to be obtained for each product, which is described in the loan sub rules. Product details are given below

13001	CASH CREDIT
13002	AGL CASH CREDIT
30005	OTHER LOAN
30002	AGRICULTURAL LOAN A/C
30003	JEWEL LOAN
30009	SHORT TERM LOAN
30018	CMHL Scheme Loans
30020	NREGP SCHEME LOAN
30011	FIXED DEPOSIT LOAN
30007	PAY RECOVERY LOAN
30001	MEDIUM TERM LOAN
30014	SHG LOANS
30017	VEHICLE SCHEME LOAN
30015	SHG SCHEME LOAN
30010	VEHICLE LOAN
30012	DEPOSIT LOAN
30004	LONG TERM LOAN
14001	OVER DRAFT LOAN FOR STAFF
30013	STAFF HOUSE LOAN A/C.
30021	BULLET JEWEL LOAN
30022	JOB LOANS (ABROAD)
30023	COMMERCIAL PROPERTY PURCHASE LOAN

The Board has delegated its financial powers to various officials of the bank to implement this policy as prescribed in the loan policy and bylaws of the bank.

Product share linking will be prescribed in the loan sub rules or and bylaws of the bank.

A nominal member also shall stand as surety for a borrowing member.

### **Purposes for Bank Finance**

- i. Agriculture**
- ii. Micro, Small and Medium Enterprises (MSME)**
- iii. Export Credit**
- iv. Education**
- v. Housing**
- vi. Social Infrastructure**

- vii. **Renewable Energy**
- viii. **Others**
- ix. **Consumption**

### **Restrictions**

Not more than 15% of total Deposit Resource will be granted for long term loans beyond 120 & above months as on the preceding financial year.

No loans and advances will be granted to Directors and their relatives as per guidelines of RBI

No advances will be granted more than 15% of the Tire 1 capital of the bank to a single borrower. Group Credit exposure to borrowers shall not exceed 25% of the total Tire 1 capital of the bank. Group credit exposure means total exposure at any given time of the borrower, its subsidiaries and association affiliates including any credit facility where the borrower stands as guarantor and or mortgagor.

Goods banned under law will not be taken as security for finance.

Agriculture loans limited to 40% of the total loans and advances as on preceding financial year.

Agriculture loan can be issued strictly based of on scale of finance fixed by the higher authorities from time to time.

The aggregate weight of gold ornaments pledged for all loans to a borrower shall not exceed 1 kilograms and the aggregate weight of gold coin(s) pledged for all loans to a borrower shall not exceed 50 grams. The period of loan shall not exceed 12 months from the date of sanction.

### **Types of securities**

- Deposits with the Bank, including Recurring Deposits/ Term deposit.
- Life insurance policies
- Gold Ornaments, Gold coins and Bullion
- Personal sureties
- Hypothecation of goods, book debts stock in trade or pledge of the items specified by the implementing authority.
- Mortgage of land and building, plant and machinery
- Power of attorney given by Government/LSGD
- Pledge of documents of ownership of goods like ware house receipts, NSC, IVP and KVP.
- New and used Vehicles

## **Delegated powers.**

The Board has delegated officials with financial powers. Managing Director, Branch Managers has been delegated with powers for sanction of the below mentioned loans and the same shall ratified in the next Board meeting.

### **Branch Manager**

Issue of Gold loan not exceeding the exposure limit fixed by the Board from time to time in accordance with the RBI instructions in this regard, subject to a maximum of 75% of market value of gold ornaments. Deposit loan as prescribed in the sub rules, Cheque discount demand draft discount as prescribed in the loan sub rules, secured loan on the security of IVP/KVP/LIC Policy/Ware House Receipt etc. as prescribed in the loan sub rules/delegation of powers.

Appraisal of loan proposals and recommendations on the files above his limit and forwarding to the Head office also will be done by the Branch Manager. The limits of financial powers delegated to the Branch Managers are separately maintained in the sub rule/office order. Branch has to verify the scores with Credit information Companies to ascertain credit worthiness and repaying capacity of the borrower.

### **Managing Director**

The delegated powers to the Branch Managers and other powers as delegated separately to the Chief Executive Officer as per Board resolution.

Verification of the loan files will be done by DGM/ an officer authorized in this regard to the MD for onward submission to BoD.

These powers will be revised from time to time at the discretion of the Board. The proposal beyond these powers will be submitted to the delegated authorities along with the Manager's analysis and recommendations, at every level. No executive is allowed to exceed his delegated authority.

If any loan is given to a borrower beyond the Branch Manager's delegated powers it is deemed as the Manager's powers in terms of that particular borrower stands revoked.

### **General Process**

The Branch Manager will accept application from the borrower along with documents as defined for each type of loan. The Branch Manager will do the initial scrutiny of the credit proposal, market reports, business etc. through visit and inspection, all relevant documentation in terms of partnership, or company incorporation, land documents etc. his account details credit score, etc., revenue records verification personnel interview etc., inspection of place of business and report from other bank if required. Application will be obtained as per bank format and all

relevant details will be completed before submitting to the Head Office with his opinion regarding the character, capacity and capital of the borrower with his specific recommendation.

The borrower should be directed to submit stock statement on a quarterly basis declaring the quantity, rate and value of goods in prescribed form for loans granted against hypothecation of stock in trade. Receipt of such statements should be verified and recorded in a register. The statements should be filed separately in chronological order to facilitate easy reference for future. If the borrower fails to submit the stock statements within a prescribed time, he should be reminded and, if necessary, his further operations on the limit suspended till the stock statement is received. The bank reserve the right to refix the Drawing Power of the Borrower as per the stock statement verified by the Branch Manager. Bank will report all credit information regarding all borrowers and credit facilities to all RBI-registered Credit Information Companies (CICs). Bank will share the details of the Borrower with the four Credit Information Companies after the disbursement of loan as per the directions from RBI in this regard.

### **Method of Valuation of Assets offered as security**

1. The valuation of property offered as security for loans, in case of loan amount upto Rs.10.00 lakh will be done by the valutors (persons retired from revenue service not below the rank of Dy.Thahasildhar) approved by the bank.
2. Securities, in respect of loan for ₹. 10 lak and above will be evaluated and by the qualified / approved valutors, (registered under Wealth tax act) authorized for the purpose, by the bank. Revaluation to be done on every 3 year.

### **Membership**

As described in the bank byelaws

### **Priority Sector and Weaker Section Lending**

The bank has to achieve the below mentioned targets under Priority and weaker section advances.

**The categories under priority sector are as follows:**

- x. **Agriculture**
- xi. **Micro, Small and Medium Enterprises (MSME)**
- xii. **Export Credit**
- xiii. **Education**
- xiv. **Housing**
- xv. **Social Infrastructure**
- xvi. **Renewable Energy**
- xvii. **Others**

## Targets /Sub-targets for Priority sector

The targets and sub-targets set under priority sector lending, to be computed on the basis of the ANBC/ CEOBE as applicable as on the corresponding date of the preceding year, are as under:

Categories	Primary Urban Co-operative Bank
<b>Total Priority Sector</b>	60 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
<b>Micro Enterprises</b>	7.5 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher
<b>Advances to Weaker Sections</b>	12 per cent of total Loans and Advances.
# Revised targets for weaker sections will be implemented in a phased manner as indicated below	

## Weaker Sections

Priority sector loans to the following borrowers will be considered as lending under Weaker Sections category:

- (i) Small and Marginal Farmers
- (ii) Artisans, village and cottage industries where individual credit limits do not exceed Rs.1 lakh
- (iii) Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
- (iv) Scheduled Castes and Scheduled Tribes
- (v) Beneficiaries of Differential Rate of Interest (DRI) scheme
- (vi) Self Help Groups

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|--------|---|
| (vii)  | Distressed farmers indebted to non-institutional lenders  |
| (viii) | Distressed persons other than farmers, with loan amount not exceeding Rs.1 lakh per borrower to prepay their debt to non-institutional lenders                                      |
| (ix)   | Individual women beneficiaries up to Rs.1 lakh per borrower (For UCBs, existing loans to women will continue to be classified under weaker sections till their maturity/repayment.) |
| (x)    | Persons with disabilities   |
| (xi)   | Minority communities as may be notified by Government of India from time to time.   |

### **Different types of borrowers**

Individual who is not a minor, not of unsound mind and not a bankrupt.  
 Individual on behalf of minor who has limited power to raise any loan on behalf of minor  
 Sole proprietorship firms, individuals doing business in trade name  
 Partnership firm registered or unregistered  
 Companies registered with registrar of companies  
 Approved contractors/builders  
 SHG/JLG

### **Sanction Process**

The Branch will submit application to Head Office; the Head Office after obtaining written legal opinion will scrutinize the application and give its recommendations or ask for clarifications. Once clarifications are received the same will be put up to the BoM/BoD for approval and sanction.

Sanction of Ad hoc limit

1. The aggregate credit limit (inclusive of Ad hoc limits) do not exceed the exposure limit fixed by the bank.

2. The release of Ad hoc credit for meeting temporary requirements may be considered by the bank only after the borrower has fully utilized the existing limit.
  3. The Ad hoc limit must not exceed 20% at any time of the actual amount of limit sanctioned.
  4. The time duration of Ad hoc limit will be for a maximum of 90 days.
  5. The interest rate for Ad hoc limit will be 2% over the existing facilities.
- Branches has to follow the same procedure for sanction of Ad hoc limit as in the case of fresh loan proposal and branch should ensure that credit record of the borrower and transaction with the bank are good.

### **Board approval process**

Board will meet twice in a month and consider all applications, apply its mind, conduct inspection wherever necessary and apply interest rate as described in the interest rate policy chapter of this document. In cases of loans above a limit prescribed where the technical assistance is necessary the board will also consider opinion from an empanelled professional surveyor or licensed valuator before arriving at quantum of loan.

### **Sanction Intimation.**

The sanction details will be conveyed to the branches through sanction memo which will contain details like amount of loan, period, interest rate, repayment schedule, documents to be obtained before disbursement and post inspection guidelines.

### **Disbursement Processes**

The loan will be disbursed to the borrower based sanction memo after obtaining all documents executed by the borrower. The loan will be disbursed to the borrower after verification of end user requirements Loan amount will be credited to the account of the borrower. In case of CC accounts limit and DP will be marked in the account and disbursement will be limited to the drawing power.

In case of term loan where disbursement is in installments the rules as specified in sanction advice will be followed.

### **Documentation**

The bank should obtain the following documents:

- Demand promissory note
- Continuing security letter
- Loan agreement
- Pledge deed
- Letter of lien and set off
- Hypothecation of stock/vehicle
- Power of attorney

- Registration certificate with bank's lien (vehicle)
- Insurance policy with bank clause

### **Books and registers**

- Property Register
- EM Register
- Loan application register
- Unit inspection register
- Gold Redemption Register

### **Monitoring Process**

The Branch Managers will randomly inspect accounts every three months and file a monitoring report with HO giving status of the account. In any case all accounts will be inspected once in a year. Any deviation from sanction norms or performance issues should be highlighted to HO for appropriate action.

### **Precautions**

Certain precautions and safeguards required to be observed while providing finance against mortgage, hypothecation, ownership (gold) or pledge etc.

(Valuation, bank's name board, inspection, stock statements, insurance, notice of due date and default, loan re-calls etc.)

### **NPA Norms**

- The Bank has adopted the NPA norms as prescribed by RBI.
- The Branch should ensure that all reporting to HO is fully compliant with these norms.
- The reporting will be done through NPA statement submitted monthly.
- The Board will review the NPA position in its meeting and document corrective action.

### **NPA Follow up Process**

The branch will issue notices to all borrowers in default immediately. The Manager will visit personally to ensure NPA overdue recovery. The documents will be kept at branches. A core group at Head Office consisting Managing Director, Internal Auditor, and an Officer and a committee with three Directors of the Board formed for the settlement of loan will monitor the NPA position regularly. This group can constitute sub groups for active monitoring and involves recovery works. The settlement committee shall look into settlement of the problem loan accounts. Allocation of different groups from the above-mentioned groups to the branches done by the core committee and progress is monitored through monthly Manager's meeting. Proposals for recovery will be initiated in these meetings and progress reviewed on a monthly basis.

## **NPA Provisioning.**

The NPA statements sent by the branches are consolidated and processed at Head Office. All provisioning is then made at head office according to RBI guidelines. This provisioning will now be made on yearly basis. The Board can recommend write off in case where recovery is impossible and place before the Annual General Body meeting for approval.

## **Income Recognition Norms.**

The bank has a prudent policy and does not recognize income if loans are have become past due. The bank will abide the income recognition and asset classification norms prescribed by the Reserve Bank of India from time to time.

## **Loan Renewal.**

All loans will be renewed based on the period as indicated in the sub rules of the bank. In case of Cash Credit accounts, the proposal will be submitted for renewal every year with recommendation from the Branch Manager based on behavior of the account. This will include details like timely recovery of interest applied, number of cheque returned, and turn over of the account compared to what was stated at time of sanctioning.

Regular and ad hoc credit limits to be reviewed / regularized not later than three months from the due date / date of ad hoc sanction. In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal / review of credit limits is already on and would be completed soon.

Re-pledge of gold loans will be allowed only for Standard loans after closing the same on the same day.

Fresh loans can be considered to borrowers who had closed NPA loans only after 15 days of closing NPA loans. For this Branch has to analyze the borrower's updated financial position and business potential to ascertain their ability to repay the fresh advance. Understand the root cause of the borrower's default, whether it was due to temporary liquidity issues, external factors, or mismanagement. Review the borrower's past repayment track record and interactions with the bank to ascertain the dues was for a short period and branch manager has to monitor the account closely and ensure that the account will not become SMA. However no fresh loans will be granted to borrowers whose loans become NPA and legal proceedings are initiated.

### One Time Settlement (OTS)

It acts as a structured transparent mechanism for the bank to recover funds from Non-Performing Assets (NPAs) while offering the borrowers a fair opportunity to resolve their debt. The bank has to frame an OTS scheme applicable to the current financial year based on the following criteria.

- The scheme should be non-discriminatory, applying the same criteria to all eligible borrowers.
- The scheme should provide explicit guidelines on which loan classifications (Sub-standard, Doubtful, Loss) are eligible, along with clear cutoff dates
- The Scheme should be publicized widely via the website and other media to ensure awareness among eligible borrowers.
- Application for One Time Settlement should be obtained from the borrower.
- Sanctioning powers should be clearly delegated to specific authorities (Branch Manager/General Manager/Deputy General Manager/MD/BoD)
- A mandatory written settlement agreement should be in place leading to prompt release of collateral and issuance of 'No dues certificate (NCD)' upon final payment.
- A minimum upfront payment ranging from 10 to 25 % of the settlement amount is mandatory to show good faith. The remaining balance should be payable within a reasonable period. Clear consequence should be defined for failing to meet the payment schedule, such as automatic cancellation of the settlement.
- No fresh loans can be considered for borrowers who have availed of the OTS scheme for a period of 12 months from the date of closing the current loan.
- Settlements of fraud/wilful defaulter accounts cannot be decided at a local branch level. They must be specially vetted and approved by the bank's Board of Directors to ensure transparency. Any settlement of fraud/wilful defaulter accounts must be made "without prejudice to the criminal proceedings.' The bank cannot promise to withdraw a criminal complaint as a condition of the OTS.
- No fresh loans can be considered for a period of 5 years for borrowers, whose accounts were classified as fraud/wilful defaulter and have been settled under the OTS scheme.
- Once the OTS is finalized and the agreed amount is paid, the bank shall report the loan status as "Settled" or "Post (Write-off) Settled" to the credit bureaus.

### Compromise Settlement:

The primary object of a compromised settlement is to provide a structured and transparent mechanism to maximize the recovery of Non-Performing Assets (NPAs) where the cost of litigation or the time required for recovery out weight the benefit of waiting, particularly when the realizable value of the security is less than the total dues. The following are the eligibility criteria.

- Accounts classified as Doubtful or Loss Assets are eligible
- Compromise Settlement shall be given to cases where realizable value of the mortgaged/hypothecated assets is lower than the total outstanding dues (Principle + Interest)
- Accounts that have remained in the Doubtful/Loss category for more than 2 years and where recovery through legal means (SARFAESI/ARC) is deemed stagnant.

- Fraud/Wilful Default accounts are eligible with explicit Board approval and without prejudice to ongoing criminal proceedings.
- The settlement amount should generally not be less than the realizable value of the available security
- A fresh valuation of the security must be conducted by a bank-approved valuer within 6 months prior to the settlement proposal to determine the current Realizable Value
- A minimum 25% of the settled amount must be paid immediately upon acceptance of the offer.
- The balance should be paid in a lump sum within a reasonable time not exceeding 3 months.
- Compromised Settlement proposals shall be considered by the Recovery Committee of the Board subject to the ratification by the Board.
- A mandatory written settlement agreement should be in place leading to prompt release of collateral and issuance of 'No dues certificate (NCD)' upon final payment.
- Once the settlement is finalized and the agreed amount is paid, the bank shall report the loan status as "Settled" or "Post (Write-off) Settled" to the credit bureaus.
- No fresh loans can be considered for a period of 5 years for borrowers who have availed Compromised Settlement.

### **Responsibility**

The implementation, interpretations and superiorly control over this credit policy will vest with the Managing Director.

The Board has discussed all the points mentioned above in the policy.

Approved as per DBR No:21, dated 11.03.2026