

Credit Appraisal : Red Flags and Best Practices

Shams Tabrez

State Bank Academy, Gurgaon

Credit Appraisal

- Credit Appraisal is a process to estimate and evaluate the risks associated with the extension of the credit facility.
- It is generally carried by the financial institutions which are involved in providing financial funding to its customers.
- The risk involved here is the non- repayment of the credit obtained by the customer of a bank.
- Thus it is necessary to appraise the credibility of the customer in order to mitigate the credit risk.
- Proper credit evaluation of the customer has to be performed; this measures the financial condition and the ability of the customer to repay back the loan in future

- Rising level of NPAs
- and
- Increase in Frauds in Advances

are the key concerns

- RBI report warns of more NPA pain, sees bad loans topping 10% by March 2018
- RBI's Financial stability report warns that even as asset quality of banks continues to remain weak, gross bad loans could rise to 10.2% by next March

Potential Reasons of NPA's

Gaps in adequate screening of promoters/company on negative lists impacting reputation or early identification of red flags – appraisal documents are generally filled with positive company outlook and futuristic projections

Inadequate review of financial statements, especially sections such as notes to accounts

Overdependence on certifications provided by third parties such as technical agents, valuers, etc. For example: photo copies are accepted instead of originals.

Lack of adequate due diligence on the auditors to rule out nexus with borrower company - in many cases, relationships are identified later in forensic audits

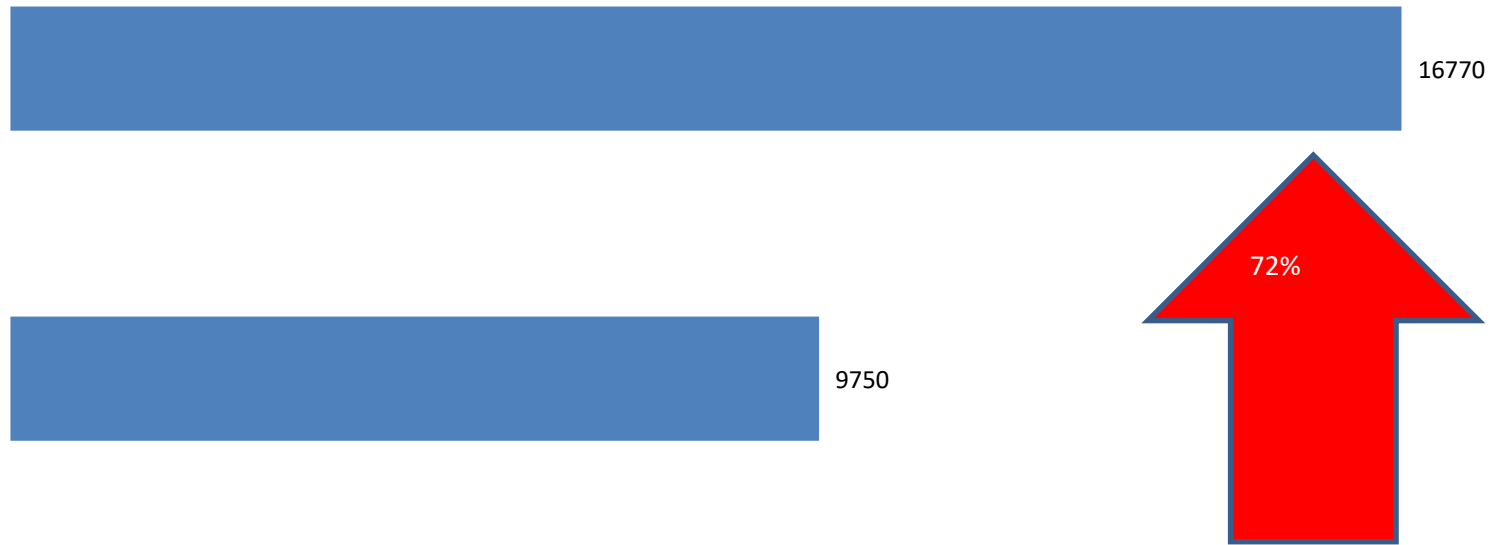
Lack of in-person verification/site visits of key debtors/creditors - in many cases, fictitious customers/suppliers were identified later in forensic audits

Leaving the decision to appoint or refer verification/valuation agency to the borrower, thereby influencing the outcome Borrowers, with an intention to de-fraud the bankers, often “stage-manage” the verification visits. For example: fictitious movement of goods backed by forged documentation for a sample of transactions are provided for review.

Trust-based lending, especially in case of multi-lending (consortium advances) – due diligence conducted by other lenders is relied upon within the consortium

Irregularities around collaterals which includes improper charge creation, unclear title deeds, etc.

Increase in cases of Frauds during last five years (Rs in Crores)



Advances related Frauds constituted nearly 92 percent of the total Frauds reported by all Banks.

Common types of frauds related to Sanctioning

- **Falsified Valuations:** External consultants advising loan borrowers to fabricate their valuation report and inflate the amount of funds that can be borrowed
- **Misappropriation of loan disbursements:** Loans disbursed in the name of suppliers and funds being misappropriated by intermediators through false documentation
- **Inflation of projected sales figures or past income:** Large and unusual year end transactions resulting in profit for the enterprise.
- **Others:** Faking net worth of directors, faking CA certificates or financial statements, inflating sundry debtors or reducing sundry creditors, reference checks not being conducted, irregularities in repayments for loans availed from other banks, frequent start-ups, maintenance of a large number of small enterprises, etc.
- **Tunnelling/phoenixing or asset stripping-**Even though the above-mentioned terms are interchangeably used, in the banking world, asset stripping primarily implies taking company funds or assets of value, and leaving behind debts.

Analysis of E Y Survey Report

E Y Fraud Investigation & Dispute Services released a survey report titled, 'Unmasking India's NPA issues – can the banking sector overcome this phase?'

87% of the respondents stated that diversion of funds to unrelated business through fraudulent means is one of the root causes for the NPA crisis.

Furthermore, around 72% have claimed that the crisis is set to worsen before it becomes better.

68% of the respondents said that developing internal skill sets on credit assessment/ evaluation are necessary

The survey respondents also indicated that lapses in the initial borrower pre-sanction process and inefficiencies in the post-disbursement monitoring process have played a key role in the NPA predicament. 86% respondents stressed on the need for an effective mechanism to identify hidden NPAs.

Additionally, around 56% stated that used of data analytics and technology can be an efficient enabler to identify any red flags or early warning signals.

Bad loans mainly due to diversion of funds, says EY report

- Diversion of funds to unrelated business or fraud,
- Lapses in initial borrower due diligence,
- Inefficiencies in the post-disbursement monitoring process are the main reasons for the bad loans predicament of banks, according to an EY report.
- Around 87 per cent of the more than 110 respondents from the banking sector believe that the rise in NPAs/stressed assets is due to diversion of funds to unrelated businesses or frauds.
- Sixty four per cent of the respondents felt that a major reason for every stressed asset/NPA is lapses in the initial borrower due diligence (pre-sanction). Around 54 per cent attributed this to the inefficiencies in the post-disbursement monitoring process.

Bank NPA issues set to worsen: EY survey

The focus needs to be on the followings

- Strengthening proactive identification of red flags,
- Close monitoring of NPA identification and reporting process and ,
- Prompt sharing of information between banks and regulators.
- The EY report has observed that in most large proposals, the due diligence or credit appraisal done by the consortium leader is accepted by the member banks.
- This is applicable in multiple bank lending relationships, where the lenders with low exposure rely on checks done by the lenders with higher exposure, it added.

EY Viewpoint EY's experience in conducting various reviews and forensic audits has revealed potential gaps in the said process.

Some insights are listed below

1. Gaps in adequate screening of promoters/company on negative lists impacting reputation or early identification of red flags – appraisal documents are generally filled with positive company outlook and futuristic projections .
2. Inadequate review of financial statements, especially sections such as notes to accounts
3. Overdependence on certifications provided by third parties such as technical agents, valuers, etc. For example: photo copies are accepted instead of originals.
4. Lack of adequate due diligence on the auditors to rule out nexus with borrower company - in many cases, relationships are identified later in forensic audits
5. Lack of in-person verification/site visits of key debtors/creditors - in many cases, fictitious customers/suppliers were identified later in forensic audits
6. Leaving the decision to appoint or refer verification/valuation agency to the borrower, thereby influencing the outcome
7. Borrowers, with an intention to de-fraud the bankers, often “stage-manage” the verification visits. For example: fictitious movement of goods backed by forged documentation for a sample of transactions are provided for review.
8. Trust-based lending, especially in case of multi-lending (consortium advances) – due diligence conducted by other lenders is relied upon within the consortium
9. Irregularities around collaterals which includes improper charge creation, unclear title deeds, etc.

Case study

A consortium of banks sanctioned fund and non-fund based facility to a company which was later declared as an NPA.

The company stated that this was due to the sluggish movement of the sector globally and requested for additional credit.

An independent stock audit initiated by one of the banks indicated adverse findings, which were denied by the borrower at a consortium meeting.

The consortium subsequently conducted an independent investigative audit to confirm the findings of the stock audit.

The audit included an onsite as well as offsite review of records and documents, factory visits and detailed background checks of the parties involved.

The audit indicated that the majority of the sales and purchases were done with related parties of the borrower.

The sales made to related parties were done at a lower margin as compared to a higher margin with other entities. Adjustment entries were passed at the year-end to settle the accounts.

Majority of the devolved Letters of Credit (LCs) were issued in favor of related parties.

An attempt was made by the borrower to “stage-manage” the factory visits, and complete records and documents of the inventory were not made available.

Potential red flags and indicators of diversion of funds to related parties were highlighted to the bank which resulted in the rejection of further disbursement to the borrower.

Perils of Third Party Nexus

- Third Party Agencies such as surveyors, engineers, financial analysts, and other verification agencies, etc. play a critical role in assuring financial information, proposals, work completion status, application of funds, etc.
- Lenders rely significantly on the inputs issued by such third parties.
- Reports are made as a routine, with little scrutiny.
- In some situations, the reports may be drafted under the influence of unscrupulous borrowers.
- It is therefore important that the selection of such third parties is independent, done in a transparent manner and based on their capability and credentials.

Few measures for reduction of NPA can be as follows.

Preventive Measures

Preventive measures are aimed at preventing the 'Standard assets' from turning into a 'Sub-standard asset'.

This objective is achieved by robust appraisal system while sanctioning loans & advances and proper follow up. These include mainly:

- I. Extending need based finance.
- II. Proper selection of the borrower and financing only in viable schemes.
- III. Following up with the borrowers about the irregularities in audit and inspection immediately and arranging for their rectification.
- IV. Periodic visit to the borrower's business unit for the verification of stocks and Plant & machinery, Proper scrutiny of the quarterly financial statements and projections received from the borrower.
- V. Renewing and reviewing the credit facilities at least once a year along with conducting fresh appraisal and assessment of the productivity, profitability and financial strength of the unit.

Early Warning Signals (EWS) and Red Flagged Accounts (RFA)

- The concept of a Red Flagged Account (RFA) is being introduced in the current framework as an important step in fraud risk control.
- A 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.
- A bank cannot afford to ignore such EWS but must instead use them as a trigger to launch a detailed investigation into a RFA.

Red Flags Indicators

- Default in payment to the banks/ sundry debtors and other statutory bodies, etc., bouncing of the high value cheques
- Raid by Income tax /sales tax/ central excise duty officials
- Frequent change in the scope of the project to be undertaken by the borrower
- Under insured or over insured inventory
- Invoices devoid of TAN and other details
- Dispute on title of the collateral securities
- Costing of the project which is in wide variance with standard cost of installation of the project
- Funds coming from other banks to liquidate the outstanding loan amount
- Foreign bills remaining outstanding for a long time and tendency for bills to remain overdue
- Onerous clause in issue of BG/LC/standby letters of credit
- Request received from the borrower to postpone the inspection of the godown for flimsy reasons
- Delay observed in payment of outstanding dues
- Financing the unit far away from the branch
- Claims not acknowledged as debt high
- Frequent invocation of BGs and devolvement of LCs
- Funding of the interest by sanctioning additional facilities
- Same collateral charged to a number of lenders
- Concealment of certain vital documents like master agreement, insurance coverage
- Floating front / associate companies by investing borrowed money
- Reduction in the stake of promoter / director
- Resignation of the key personnel and frequent changes in the management

- Substantial increase in unbilled revenue year after year.
- Large number of transactions with inter-connected companies and large outstanding from such companies.
- Significant movements in inventory, disproportionately higher than the growth in turnover.
- Significant movements in receivables, disproportionately higher than the growth in turnover and/or increase in ageing of the receivables.
- Disproportionate increase in other current assets.
- Significant increase in working capital borrowing as percentage of turnover.
- Critical issues highlighted in the stock audit report.
- Increase in Fixed Assets, without corresponding increase in turnover (when project is implemented).
- Increase in borrowings, despite huge cash and cash equivalents in the borrower's balance sheet.
- Liabilities appearing in ROC search report, not reported by the borrower in its annual report.
- Substantial related party transactions.
- Material discrepancies in the annual report.
- Significant inconsistencies within the annual report (between various sections).
- Poor disclosure of materially adverse information and no qualification by the statutory auditors.
- Frequent change in accounting period and/or accounting policies.
- Frequent request for general purpose loans.
- Movement of an account from one bank to another.
- Frequent ad hoc sanctions.
- Not routing of sales proceeds through bank
- LCs issued for local trade / related party transactions
- High value RTGS payment to unrelated parties.
- Heavy cash withdrawal in loan accounts.
- Non submission of original bills.

The Red flags are grouped under:

- Possible weaknesses in corporate governance
- Riskier or more opaque business models
- Fast-growing business strategies
- Poorer quality of earnings or cash flow
- Concerns over auditors and the quality of financial statements.

Management fraud done by Borrowing company on Banks

- Recording inflated property, Plant & equipment values
- Fictitious Purchase Bills
- Overvaluing existing inventory
- Counting non existent inventory or sold merchandise that is being warehoused for customers.
- Fabricating fictitious sales invoices
- Reporting goods on consignment as sales.
- Overbilling for merchandise sold
- Not recognizing or disclosing contingent liabilities
- Improperly classifying a current liability as long term to improve net current asset value.

Objective

- Diversion of Funds
- Siphoning of Funds
- Money Laundering
- Make the entity sick & not to pay the lenders.

Result

- Mounting NPAs for Banks.
- Bad loans
- Resulting in losses running into thousands of crores for Banks

Moody has identified Red Flags in following categories

- Corporate Governance Red Flags
 - Family Control > 30%
 - Change in senior management (CEO/CFO)
 - RPT > 10% of sales or Debtors > 10% total Asset
 - Major shareholders' Private businesses
- Business Model Red Flags
 - Extra ordinary high margin > 40% EBITDA/ Super AAA
 - Higher Customer Concentration – Top 5 > 30% Revenue
 - Complicated Group Structure :-
 - Income from J/V /Associate > 30% Net Profit
 - Assets in J/V / Associate > 30% of total Assets

Moody has identified Red Flags in following categories

- Growth Strategy / Other Red Flags.
 - Aggressive Growth – Total Assets/Revenue Double in less than 3 years.
 - Intangible Assets > 25% of total assets
 - Changes in Auditors.
 - Signing Auditor located in different location vs Business location
 - Delay in result announcements or qualified accounts
- Earnings / Cash Flow quality
 - Cash flow Generation quality
 - CFO / Net Income < 1
 - CFO before Interest & Tax / EBITDA < 1
 - Changes in working Capital
 - Changes in receivables / Payables / Inventory day > 20%
 - Tax paid in cash / Profit before Tax < 10%

Sutras for Better Fraud Risk Management.

- **Sutra 1: Have a ROBUST Fraud risk identification, event reporting, control, allocation and mitigation framework.**
- **Sutra 2: Follow the 5 ‘Cs’ of CREDIT – Capacity, Capital, Collateral, Conditions and Character.**
- **Sutra 3: EMPOWER fraud risk managers adequately.**
- **Sutra 4: Use extensively the 3 Cs – CFR (Central Fraud Registry), CRILC and CREDIT BUREAUS**
- **Sutra 5: Rely on MARKET INTELLIGENCE.**
- **Sutra 6: Develop BUSINESS ANALYTICS tools.**
- **Sutra 7: CUT LOSSES and exit when the situation so demands.**
- **Sutra 8: DO NOT THROW GOOD MONEY after bad money i**

Pre-Sanction Process : Best Practices

- Collection, Compilation, Analysis and Presentation of Information and Data in such a manner that Sanctioning Authority is able to take an informed decision
- An Investigative Analysis on a prospective borrower to ensure that borrower is in a position to discharge financial obligation as and when required

A look into the past

An assessment of present

A peep into the future

- Analysis of Character, Capacity , Capital, Cash Flows, Collateral & Conditions
- Assessment of
 - Man
 - Money
 - Machine
 - Market
 - Material

For a proper sanction, a proposal must offer

1. An acceptable level of security
2. Acceptable level of profitability
3. Compliance to Bank and Reserve Banks lending norms

Pre-Sanction Credit Process

- Application from Borrower
- KYC on Borrower and Guarantor (s)
- Opinion Report on Borrower & Guarantor
[CIBIL,CIC check on Borrower & Guarantor](#)
- ROC Search on Companies
- Finalisation of Security
- [Title Investigation Report](#) & Assessment
- [Valuation Report](#) & Valuation
- CERSAI Verification
- SAL / RBI Defaulters List
- Necessary Licenses & Approvals
- Nature of Industry / Technology
- Backward & Forward Linkage
- Competition
- Plans for future Sustainability

- For Existing Companies, Creditors & Debtors
- Availability of Labour & Technical Personnel
- VAT/ Excise/ IT Returns
- Associates & Subsidiaries
- Credit information Report
- Financial Statement & Projections
- CRMD Exposure norms
- Visit to Factory/ Godown/ Shop/ Office
- Declaration on concurrent Borrowing & Statutory Dues

Pre-Sanction

Activity

- Identification of customer
- Verification of customer address
- Verification of property

What can go Wrong

- Actual visit to the residence/workplace of the applicant is not carried out but report is submitted.
- Proper enquiry is not done by external agency while conducting inspection.
- Collusion of External agency representative and applicant
- Collusion of staff with external agency
- Online checking of KYC documents not done wherever available. i.e. PAN, Voter ID, Aadhaar.
- Report on property without proper verification i.e. location, extant, ownership, boundaries, marketability, prevailing market rates, enquiry with neighbor etc.
- Charges, existing if any, on the property are not ascertained and verified
- Staff relying on the report given by the external agency.
- Sample verification on reports submitted by external agency is not done.

DUE DILIGENCE

- Due diligence on all Borrowers/ Promoters/ Directors/ Guarantors needs to be carried out with a view to being satisfied about their credentials, and for ensuring compliance with the guidelines on KYC and AML under Prevention of Money Laundering Act.
- **Illustrative checklist**
 - i) CICs Defaulters' List/ Wilful Defaulters' List and also verify Credit History by means of Credit History Reports provided by them.
 - ii) CRILC data
 - iii) Employees PF Organisation Site for defaulting companies
 - iv) ECGC caution list/Specific Approval List etc.

DUE DILIGENCE

- v) Banned List of Promoters of SEBI
- vi) Loan Rejections / CRA Slippages in CPPD site
- vii) List of Disqualified Directors available in the website of Ministry of Corporate Affairs (MCA)
- viii) i-Probe
- ix) List of Non-Cooperative borrowers
- x) IBG defaulters list
- xi) Audited financials submitted by the companies should be independently verified with the audited financial statement filed with MCA.
- xii) Reasons for change in the accounting year as well as in auditors, if any, should be ascertained.
- xiii) ROC Search

Term loan Due Diligence

- Opinion reports on suppliers should be **invariably obtained / compiled for at least 75%** of the cost of the proposed equipments being procured under Bank's finance.
- The plant and machineries to be purchased out of Bank's loan are procured directly from the manufacturer/authorized dealer instead of intermediaries.

Term Loan Due Diligence

- Ensure end use of funds.
- Quotations must contain account details as well as RTGS Code. Due diligence on accounts of the suppliers.
- Disbursement beyond Rs. 5.00 lacs invariably by RTGS/NEFT mode.

Due Diligence on Collaterals

- Proper Identification.
- TIRs (Chain of title, Annexure E, Annexure F).
- Valuation Reports (Genuineness, Independent Verification).
- Sharing of Valuation Report with advocate and vice versa.

Due Diligence on TPEs

- Name of TPEs not to appear in IBA's Caution List.
- Assistance of such professionals shall only complement, and not substitute, the Banks' independent evaluation of loan proposals.

Verification of financials

- Verification of ABS from MCA site. In case of non-availability in MCA, independent confirmation from CA.
- Verification and cross checking of major items of Profit & Loss account and Balance Sheet with the regulatory returns, for validation and ensuring their genuineness and acceptability.

CICs

- The appropriate authority, therefore, has given discretion to business groups to select any two CICs as their preferred CICs.
- Accordingly, CIBIL and CRIF High Mark have been identified as preferred CICs for SMEBU.

Pre Screening

- As a measure of enhanced due diligence in respect of prospective new connections where our estimated exposure is Rs.5 crore or above, the Bank has entered into an agreement with M/s Cubic Tree for pre-screening services.
- This would **supplement and strengthen, and not substitute or replace, any of the existing due diligence procedures which are already in place.**

Opinion Reports

- The importance of correctly compiled/updated opinion reports becomes significant when an advance turns bad and the securities charged to the Bank is inadequate to cover the entire dues.
- Two formats (Loans upto Rs. 25 lacs & above Rs. 25 lacs).
- To be compiled and updated annually.
- Notarized asset & liability statements mandatory for accounts with internal rating of SB 9 or below.

DUE DILIGENCE

- **Financial due diligence:**

- i) The financials of the main company and its major associate / sister concerns should be reviewed, as far as possible, on the basis of provisional financials of the concerns on a common date.

- ii) Balance Sheet should be free from any material adverse remarks of the auditors. Any adverse comments must be separately discussed in the evaluation / appraisal process.

- iii) Verification of Income Tax, Sales Tax, Excise Returns etc must also be ensured.

- iv) Instances of borrowing companies going in for frequent changes in management structure are on the rise. It requires more vigilant approach and extra care should be exercised in completing the due diligence process. In such instances , the fact must be recorded in appraisal memorandum and brought to the attention of credit committees.

- v) Searches in the book of the ROC with regard to charges created and satisfied on the assets of the unit, change in directors, capital structure and major share holders etc along with verification of audited financials should be carried out.

- vi) Searches in the books of the Sub-Registrar of Assurances should be carried out.

In Case of Prospective New Connections

- Scrutiny of bank account statements, covering loan accounts and current accounts. For the purpose, transactions over a period of one year should be reckoned. In case any lead translates to a new business connection, a view must also be taken as to whether the unit's current accounts, if any, with other bank(s) may continue to be maintained or not.
- Obtention of declaration, duly certified by a Chartered Accountant, that (a) there are no other credit facilities in any bank/FI/NBFC which is irregular, and that (b) there are no overdue statutory payment obligations
- Obtention of declaration regarding credit facilities availed by its Associates and Subsidiaries from the banking system, confirming also that there are no irregular features in conduct of their account(s).

- Verification of credentials of all group / connected companies as well as joint ventures from various sources mentioned

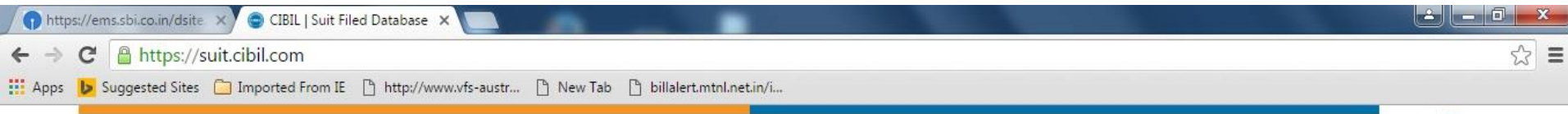
- Financial support for setting up of new ventures or expansion of existing ventures should not be extended in case the concerned unit belongs to a group which comes under either of the following categories:
 - a.** Any company within the group has been declared as Wilful Defaulter;
 - b.** Any company in the group is not co-operating with the Bank in finalizing settlement of the Bank's dues.

In case of MBA/Consortium Financing

- At the time of granting fresh facilities, banks may obtain declaration from the borrowers about the credit facilities already enjoyed by them from other banks in the format prescribed in **Annex 6**
- Obtain regular certification by a professional, preferably a Company Secretary, Chartered Accountant or Cost Accountant, regarding compliance of various statutory prescriptions that are in vogue, as per specimen given in **Annex 6**.
- (Refer Circular no CPP/PMK/Cir/181 Date 23/03/2015

CIBIL LIST OF SUIT FILLED CASES

<https://suit.cibil.com>



SUIT FILED CASES

Credit Information Bureau (India) Limited
IN ASSOCIATION WITH DUN & BRADSTREET AND TRANSUNION



Suit Filed Cases Year 2002 Onwards

Status of data received - Summary

DATE

Status of data received - List of Credit Grantors

DATE

Suit Filed Accounts of Rs. 100 Lakhs and above

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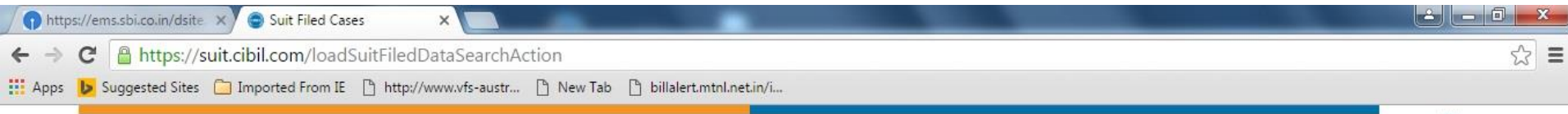
--Select Period--

Suit Filed Accounts (Willful Defaulters) of Rs. 25 Lakhs and above

Option

--Select Period--

SEARCH PAGE



SUIT FILED CASES

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BACK

Suit-filed accounts (Willful Defaulters) of Rs. 25 Lacs and above as on 31-Dec-2015
Search

Search can be done on one or more of the following criteria	
D&B D-U-N-S [®] Numbers	<input type="text" value="(65-012-0384)"/>
Borrower Name	<input type="text"/>
Director	<input type="text"/>
DIN Number	<input type="text"/>
Names of Credit grantors (who have given data)	ALL <input type="button" value="v"/>
State/Union Territory	Select <input type="button" value="v"/>
City	<input type="text"/>

Search

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Accounts Department
AMLCFT
Banking Operations Department
BPR Project
CENTRAL BOARD SECRETARIAT
Cash Management Product Centre
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CPPD CIRCULARS	
CAUTION ADVICES	<u>NPA ABOVE 1 CRORE</u>
DEFAULTERS LISTS	<u>NPA ABOVE ONE CRORE AS ON 30.09.2015</u>

VISIT CIC's SITES FOR ALL BANKS SUIT FILED ACCOUNTS

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SEBI LIST OF DEBARRED ENTITY

www.bseindia.com

Home → Regulatory → Investor → SEBI Debarred Entity

The screenshot shows the BSE India website interface. At the top, there is a navigation bar with links for Notices, Media Release, Trading Holidays, BSEPlus, and language options (हिन्दी, मराठी, ગુજરાતી). Below this is the BSE 140 logo and the S&P BSE SENSEX index value of 25,530.11, which is down 108.00 (-0.42%). A search bar is present with the text "Enter Security Name / Code / ID".

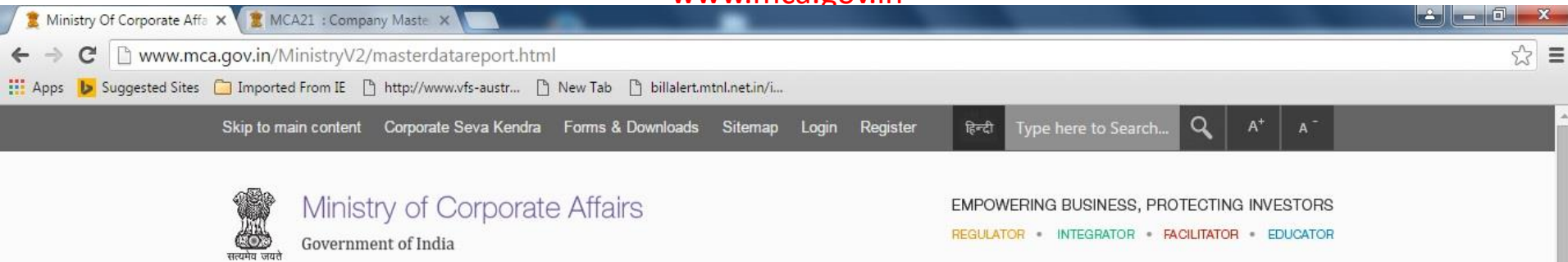
The main navigation menu includes: About BSE, Markets, Public Issues / OFS, Corporates, Members, Investors, International Investors, Products & Services, and Training & Certification.

A sidebar on the left contains the following links: + Investor Services, + Investor Guides, + Master Circular, + Investor Complaints, + Arbitration, Arbitration Awards, Arbitration Schedule, + Regulatory, + Dissemination Board, and RGESS.

The main content area shows the breadcrumb: Home > Regulatory > Investors > SEBI Debarred Entities. The title is "SEBI Debarred Entities". The text reads: "A consolidated list of entities debarred by Securities Exchange Board of India from accessing the capital market or from dealing in particular scrip since January 2007 is for information and necessary compliance by trading members." Below this text is a link: [Download file - As on 04-Dec-2015](#).

MCA LIST DIRECTOR UNDER PROSECUTION

www.mca.gov.in



This screenshot shows the homepage of the Ministry of Corporate Affairs (MCA21). The browser address bar displays www.mca.gov.in/MinistryV2/masterdatareport.html. The page features the MCA21 logo, the text "Ministry of Corporate Affairs Government of India", and the tagline "EMPOWERING BUSINESS, PROTECTING INVESTORS". Below the tagline are the roles: REGULATOR, INTEGRATOR, FACILITATOR, and EDUCATOR. A search bar is visible on the right side of the page.



This screenshot shows the search page of the MCA21 website. The browser address bar displays www.mca.gov.in/DCAPortalWeb/dca/MyMCALogin.do?method=setDefaultProperty&mode=53. The page features the MCA21 logo, the text "Ministry of Corporate Affairs Government of India", and the tagline "Empowering Business, Protecting Investors". Below the tagline are the roles: Regulator, Integrator, Facilitator, and Educator. A navigation menu is visible at the bottom of the page with options: Home, Legislation, Information, My Settings, Help, and Signout.

Companies against which prosecution recently initiated

ABHIJEET POWER LIMITED ; ADHUNIK

Search Companies/Directors under Prosecution

Search based on existing company name.
Company CIN/FCRN:

Search based on Director name.
Director Identification Number:

List of Companies/Director's under prosecution.

I PROBE SEARCH

09-Dec-2015 11:55:15 AM

[Log Out](#)



i - Probe

Fields marked with * are mandatory.

Entity Type

Individual

Unit/Company

Name*

City / State*

* Please input either City or State.
(DO NOT Input both details together)

PAN

DUNs

 - -

Company Registration Number

Other IDs

Identifier Type

Date of Incorporation

Telephone Number

 -

Mobile Number

Credit Facility Type *

Loan Amount Applied (in Rs)*

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CENTRAL REPOSITORY OF INFORMATION ON LARGE CREDITS (CRILC)

- CRILC site of RBI has to be checked for verification of borrowings with other banks and their status, for all loans of Rs.5 cr and above.

SEARCH WITH REGISTRAR OF COMPANIES

- Search been conducted with Registrar of Companies for the verification of existing charges on the assets of the unit.

5B.Types of EWS to watch out for (borrower)

- Information based (financial statement)

Material discrepancies in the financial records as per ROC Search vis a vis financial records submitted by the borrower

Audited financials submitted to ROC

DANIPALL BUDHARAJA CONSOLIDATED BALANCE SHEET AS ON MARCH					
Particulars	31.03.2019	31.03.2018	31.03.2017	31.03.2016	31.03.2015
ASSETS					
Fixed Assets	1,11,80,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
Current Assets	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
LIABILITIES					
Equity	1,11,80,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
Debt	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
Total	2,20,57,000.00	2,17,54,000.00	2,17,54,000.00	2,17,54,000.00	2,17,54,000.00

Audited financials provided to bank

DANIPALL BUDHARAJA CONSOLIDATED BALANCE SHEET AS ON MARCH					
Particulars	31.03.2019	31.03.2018	31.03.2017	31.03.2016	31.03.2015
ASSETS					
Fixed Assets	1,11,80,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
Current Assets	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
LIABILITIES					
Equity	1,11,80,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
Debt	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00	1,08,77,000.00
Total	2,20,57,000.00	2,17,54,000.00	2,17,54,000.00	2,17,54,000.00	2,17,54,000.00

Difference in amount of 'Provision for doubtful debts' in Balance Sheet

Difference in amount of 'Loan to different projects' in Balance Sheet

5B. Types of EWS to watch out for (borrower)

- Information based (financial statement)

Negative news in financial statements of the company

3. During the previous year, the Company was subjected to a search under Section 132 of the Income Tax Act, 1961, pursuant to which certain of the records of the Company were taken into custody by the Income Tax Department. In relation to this matter, the Additional Director of Income Tax has issued show cause notices seeking an explanation, amongst other things, of details of source of income of the Company during the Assessment Years 2002-03 through 2007-08. The Company, in an affidavit filed on November 21, 2007, disclosed an additional income of Rs.200 Millions for the said periods and offered the same to be taxed in Assessment Year 2007-08 covering not only the Company but its Associates, its Subsidiaries and other companies or firms where whole time directors have interest in their personal capacities. Income Tax liability of Rs.70 Million was provided in the previous year, as an act of abundance. The Managing Director has also undertaken the responsibility to reimburse the Company. The income tax liability for these years exceeds such additional provision in the previous year. The Company has received further notices from the Income Tax Department for more information.

Extract of Notes
to Accounts indicating search by Income tax
department on the borrower


The above proceedings are currently underway and when concluded, could result in additional income tax, interest, penalties etc. The outcome of the said proceedings, including the status of application pending with the Income Tax authorities and the actual impact on the financial statements in addition to the taxes already provided, are currently unascertainable and in the opinion of the management are not likely to be material. Hence no adjustments have been made in these financial statements for such impact, if any.

MCA HOME PAGE

Ministry Of Corporate Affairs

www.mca.gov.in

Skip to main content Corporate Seva Kendra Forms & Downloads Sitemap Login Register हिन्दी Type here to Search... A+ A-

 Ministry of Corporate Affairs
Government of India

EMPOWERING BUSINESS, PROTECTING INVESTORS
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ABOUT MCA ACTS & RULES MCA SERVICES DATA & REPORTS CONTACTS HELP & FAQS

NEW TO MCA?

MCA regulates corporate affairs in India through the Companies Act, 1956, 2013 and other allied Acts, Bills and Rules. MCA also protects investors and offers many important services to stakeholders. This site is your gateway to all services, guidance, and other corporate affairs related information.

Learn more about MCA by visiting our [About MCA](#) page

CORPORATE SEVA KENDRA:
0124-4832500
appl.helpdesk@mca.gov.in
DIN CELL: 9259720983

FREQUENTLY USED

SEARCH COMPANIES ACT, 2013

REGISTER A NEW COMPANY

NOTICES & CIRCULARS

IMPORTANT NOTICES

- Last date of filing forms AOC-4 (XBRL, non-XBRL & CFS) and MGT-7 have been extended till 30th Dec 2015 without additional fee. Click here **NEW**

Online Services for VOTERS
www.eci.nic.in www.nvsp.in

Information On Company Deposits

55

4:36 PM
12/7/2015

MCA COMPANY MASTER DATA PAGE

www.mca.gov.in-->Data & reports

The screenshot shows a web browser window with the URL www.mca.gov.in/MinistryV2/masterdatareport.html. The page header includes the Ministry of Corporate Affairs logo and the tagline "EMPOWERING BUSINESS, PROTECTING INVESTORS". The navigation menu highlights "DATA & REPORTS". The main content area is titled "DATA & REPORTS" and includes a breadcrumb trail: "Home > Data & Reports > Master Details". A left sidebar lists various report categories, with "Master Details" selected. The "Master Details" section contains three expandable items: "COMPANY MASTER DATA", "INDEX OF CHARGES", and "SIGNATORY DETAILS". The "COMPANY MASTER DATA" section provides instructions on how to view master details for any company/LLP registered with the Registrar of Companies.

Ministry Of Corporate Affairs | MCA21 : Company Master

www.mca.gov.in/MinistryV2/masterdatareport.html

Skip to main content | Corporate Seva Kendra | Forms & Downloads | Sitemap | Login | Register

हिन्दी | Type here to Search... | A+ | A-

Ministry of Corporate Affairs
Government of India

EMPOWERING BUSINESS, PROTECTING INVESTORS
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ABOUT MCA | ACTS & RULES | MCA SERVICES | **DATA & REPORTS** | CONTACTS | HELP & FAQs

DATA & REPORTS

Home > Data & Reports > Master Details

Reports

Company/LLP Information

- Master Details
- Incorporated or Closed during the month
- Based on Activity
- Based on Ownership
- Under Alert
- Forms filed under FTE
- List of LLP who have filed Form 24

Company Statistics

Master Details

COMPANY MASTER DATA

To view master details of any company/LLP registered with Registrar of Companies click on [View Company Master Data](#)

To view State-wise master details of companies registered with Registrar of Companies as on 31.03.2015, click on 'View state-wise Company Master Data'

INDEX OF CHARGES

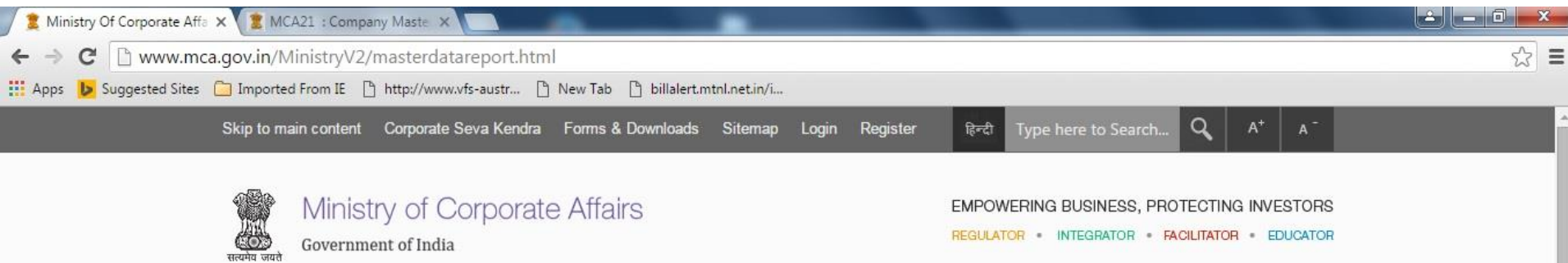
SIGNATORY DETAILS

www.mca.gov.in/MinistryV2/annual_report.html

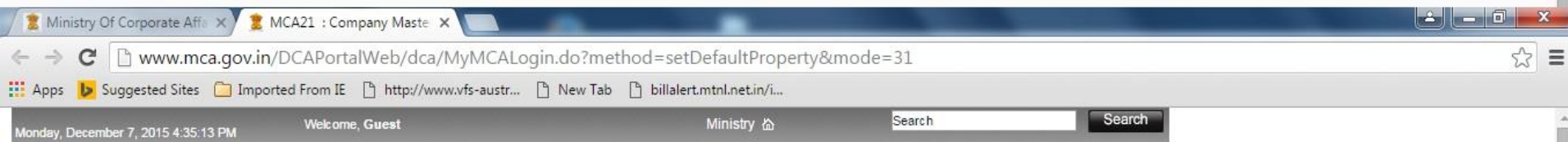
56

4:37 PM 12/7/2015

ENTERING DETAIL FOR MASTER DATA



This screenshot shows the homepage of the Ministry of Corporate Affairs (MCA21) website. The browser address bar displays www.mca.gov.in/MinistryV2/masterdatareport.html. The page features the MCA21 logo, the text "Ministry of Corporate Affairs Government of India", and the tagline "EMPOWERING BUSINESS, PROTECTING INVESTORS". Below the tagline, there are links for "REGULATOR", "INTEGRATOR", "FACILITATOR", and "EDUCATOR". A search bar is visible on the right side of the page.



This screenshot shows the login page of the MCA21 website. The browser address bar displays www.mca.gov.in/DCAPortalWeb/dca/MyMCALogin.do?method=setDefaultProperty&mode=31. The page features the MCA21 logo, the text "Ministry of Corporate Affairs Government of India", and the tagline "Empowering Business, Protecting Investors". Below the tagline, there are links for "Regulator", "Integrator", "Facilitator", and "Educator". A search bar is visible on the right side of the page.



This screenshot shows the navigation menu of the MCA21 website. The menu includes the following items: Home, Services, Legislation, Information, and Help. The MCA21 logo and the text "Ministry of Corporate Affairs Government of India" are visible on the left side of the menu. The tagline "Empowering Business, Protecting Investors" and the links "Regulator", "Integrator", "Facilitator", and "Educator" are visible on the right side of the menu.

Company Master Data

Company Name :

*CIN/FCRN :

[Please click this link to view the latest master data for LLPs](#)

Quick Links

- All About eFiling
- Track Your Transaction Status
- Track Your Payment Status
- Get Certified Copies
- Track Complaint Status
- Find Corporate Identity Number(CIN)
- Calculate the Fees
- Check Company or LLP Name
- View Public Documents
- View Transaction Status PFO
- Verify DIN-PAN Details of Director
- Verify Digitally Signed Certificate

VIEW SIGNATORY DETAILS

Ministry Of Corporate Affairs | MCA21 : Company Master

www.mca.gov.in/MinistryV2/masterdatareport.html

Skip to main content | Corporate Seva Kendra | Forms & Downloads | Sitemap | Login | Register

हिन्दी | Type here to Search... | A+ | A-

Ministry of Corporate Affairs
Government of India

EMPOWERING BUSINESS, PROTECTING INVESTORS
REGULATOR • INTEGRATOR • FACILITATOR • EDUCATOR

Ministry Of Corporate Affairs | MCA21 : Register DSC: View | MCA21 : View Index Of C

www.mca.gov.in/DCAPortalWeb/dca/MyMCALogin.do?method=setDefaultProperty&mode=39

Monday, December 7, 2015 4:36:50 PM | Welcome, Guest | Ministry | Search

Ministry of Corporate Affairs
Government of India

MCA21
Service Transformation

Empowering Business, Protecting Investors
Regulator • Integrator • Facilitator • Educator

Home | Services | Legislation | Information | Help

Register Digital Signature Quick Links

- Register Digital Signature
- Director
- Manager / Secretary
- Practising Professional
- View Signatory Details
- Update DSC for Bank Official/Nodal Administrator

[Report Abuse](#)

Forms Download

Prerequisite Software for eFiling

View Signatory Details

Company / LLP Name : [Search](#)

*CIN/LLPIN :

* Mandatory Field.

[Submit](#) [Reset](#)

[Please click this link to view the latest signatory details for LLPs](#)


INDEX OF CHARGES PAGE

Ministry Of Corporate Affairs | MCA21 : Company Master

www.mca.gov.in/MinistryV2/masterdatareport.html

Skip to main content | Corporate Seva Kendra | Forms & Downloads | Sitemap | Login | Register

हिन्दी | Type here to Search... | A+ | A-

 **Ministry of Corporate Affairs**
Government of India

EMPOWERING BUSINESS, PROTECTING INVESTORS
REGULATOR • INTEGRATOR • FACILITATOR • EDUCATOR

Ministry Of Corporate Affairs | MCA21 : View Index Of C

www.mca.gov.in/DCAPortalWeb/dca/MyMCALogin.do?method=setDefaultProperty&mode=32

Monday, December 7, 2015 4:35:57 PM | Welcome, Guest | Ministry | Search

 **Ministry of Corporate Affairs**
Government of India

 **MCA21**
Service Transformation

Empowering Business, Protecting Investors
Regulator • Integrator • Facilitator • Educator

Home | Services | Legislation | Information | Help

View Index Of Charges

Company / LLP Name :

*CIN/FCRN/LLPIN/FLLPIN :

* Mandatory Field.

[Please click this link to view the latest index of charges for LLPs](#)

- #### Quick Links
- All About eFiling
 - Track Your Transaction Status
 - Track Your Payment Status
 - Get Certified Copies
 - Track Complaint Status
 - Find Corporate Identity Number(CIN)
 - Calculate the Fees
 - Check Company or LLP Name
 - View Public Documents
 - View Transaction Status PFO
 - Verify DIN-PAN Details of Director **NEW**
 - Verify Digitally Signed Certificate

RISK CATEGORY OF COUNTRIES

State Bank Times - Internet Explorer provided by HCL Infosystems Limited

https://statebanktimes.in/sbi/LoginServlet

bing


State Bank Times

Chairman's message on Griha Tara

MD(NBG)'s message on Bachat Tara Qu

LATEST INTEREST RATES

- What's New
- Human Resources / SBI Aspirations
- Help Portal / HRMS / EDWP Portal
- EMS New User / E M S / Password Reset / Password Reset Manual
- Online SBI / Antivirus / ADS Password Reset
- e-Circular / e-Learning
- Staff Suggestion Scheme / Staff Grievances Redressal
- Technology@SBI / SBI-Finder (beta)



State Bank Group is 100% of Solution Globally Ne

- Branch Interface - INB
- Branch Locator
- Basel Foreign Offices-C-Cube
- Branch Performance Tracking
- Centralized Project Ganga
- Central Registry - CERSAI
- CGTMSE
- Controllers Portal
- CONTROLLERS' VISIT SYSTEM
- Contact Centre
- CRISIL Research
- CRISIL Rating Analytics
- Currency Chest Online
- DBT Monitoring Tool
- Direct Benefits Transfer
- Data Centre-Core Banking Project
- Express Cheque Clearing System
- FD Kolkata
- FD SFMS-SWIFT Solution
- GAD-Web OLTAS
- GLS Support site
- Green Dash Board
- HRMS User-id Creation
- IBA

an's address to the staff on the on of launching of AML/CFT Business Campaign in the Bank on 2nd ber 2015

an's message on Career Development System PDF | FAQs

an's Messages/Interviews

MDs' Messages

Matters

Bank Archives

Bank Think Box / State Bank Ideating

g / Knowledge Helpline / Harvard Mentor

SBI

al Links / Photo Gallery

FD Kolkata (javascript:NewWindow("http://10.135.247.200/");

Local intranet | Protected Mode: Off

100%

12:43 PM 12/8/2015

RISK CATEGORY OF COUNTRIES

SBI, GMU Kolkata - Internet Explorer provided by HCL Infosystems Limited

bing

State Bank of India
With you - all the way

Tuesday, December 08, 2015, 12:42:47 PM

Home Services Rates Info Downloads Archives Useful Links Contacts

*** GMU Kolkata - 77 Years of uninterrupted service to the Nation ***

Award cer
U,Kolkata

Welcome to
State Bank of India
Global Markets Unit - Kolkata

GMUK Helpline:
Telephone (1): 033-2288-6631

Welcome to Global Markets, Unit Kolkata!

About Us...
In terms of the Imperial Bank of India (Amendment) Act, 1934, which came into force on 1st April 1935, the limitation imposed on the foreign Exchange business of the Bank at its London Office was removed.

Our Functions...
Global Market Unit, Kolkata (GMUK) is functioning from 'Jeevan Sudha' Building at Jawaharlal Nehru Road, Kolkata. The functions of GMUK include :
Monitoring all the Forex related Operations of the Bank;

open all | close all | Refresh

Important Reports
Nostro Reconciliation

https://gmukul.statebanktimes.in/modules.php?name=Content&file=content&cont=cr&act=show&infi=

Local intranet | Protected Mode: Off

100%

12:42 PM
12/8/2015

- राजभाषा
- IMMAC
- IRC Portal
- R-Return
- Correspondent
- S&P, MO & BS
- FCNB
- RECON
- Latest Nostro A/Cs
- List of Correspondents
- Country Risk Category
- List of Vostro Accounts
- RMA List
- Correspondent Relationship Terminated
- List of A Category Branches
- List of B Category Branches
- List of C Category Branches

Central Electronic Registry (CERSAI)

- landed property offered for mortgage has to be checked with the central electronic registry (cersai) through their web portal.

STATE BANK TIMES → USEFUL LINK

1 → CENTRAL REGISTRY

The screenshot shows the State Bank of India website in Internet Explorer. The browser's address bar displays <https://statebanktimes.in/sbi/LoginServlet>. The website header includes the State Bank of India logo and the text "STATE BANK TIMES Share the News... Share the Views...". A navigation menu is visible with tabs for MANUALS, KNOWLEDGE-HUB, CIRCLES, USEFUL LINKS 1, USEFUL LINKS 2, DEPARTMENTS 1, DEPARTMENTS 2, and UTILITIES. The "USEFUL LINKS 1" menu is expanded, listing various services and dashboards. The main content area features a news banner about the National Lok Adalat and a "Chairman's Corner" section with articles by Smt. Arundhati Charya.

State Bank of India
BANKER TO EVERY INDIAN

STATE BANK TIMES
Share the News... Share the Views...

MANUALS KNOWLEDGE-HUB CIRCLES **USEFUL LINKS 1** USEFUL LINKS 2 DEPARTMENTS 1 DEPARTMENTS 2 UTILITIES

Utilization of National Lok Adalat to be held on 12th Dec 2015 | SUNE

login

SEARCH

FILE BLOWER POLICY

SECTION

Calendar

LATEST INTEREST RATES

s New

USEFUL LINKS 1

- ABOSS - New ATM Web
- ATM Mon - Business Dashboard
- ATM Mon - Operations Dashboard
- ATM - Card Status
- ALM Online
- AICTE
- ATM Web - Old
- BAS for CBS - Status
- Banca SBI Life - DET
- Bancassurance Online
- Branch ASBA Process
- Branch Interface - INB
- Branch Locator
- Basel Foreign Offices-C-Cube
- Branch Performance Tracking
- Centralized Project Ganga
- Central Registry - CERSAI

STAR CAMPAIGN | Technology Upgradation F

Chairman's Corner

Chairman Smt. Arundhati Charya "The 50 Most Powerful in Business & "Most Powerful International" in Fortune October 2015

Chairman's Address to Staff on 2015 on Bank's Financial Results Quarter and Half year Ended 30th October 2015 English

Chairman's address to the staff on the occasion of launching of AML/CFT Awareness Campaign in the Bank on 2nd October 2015

Chairman's message on Career Development System

Local intranet | Protected Mode: Off

6:03 PM 12/8/2015

CERSAI ONLINE SEARCH PAGE

https://www.cersai.org.in/ - Central Registry of Securitisation Asset Reconstruction and Securi - Internet Explorer provided by

bing

GISTRAR AND MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
Central Registry of Securitisation Asset Reconstruction and Security Interest of India

Welcome ASHISH KUMAR SINGH (A001628137 | M06 : Multifunction User - Maker) (Tue 08-Dec-2015 15:39:48) STATE BANK OF INDIA

https://www.cersai.org.in/ - Central Registry of Securitisation Asset Reconstruction and Securi - Internet Explorer provided by

bing

VE OFFICER (CENTRAL REGISTRAR) OF CERSAI W.E.F. 11.09.2015. | Registrar
Central Registry of Securitisation Asset Reconstruction and Security Interest of India

Welcome ASHISH KUMAR SINGH (A001628137 | M06 : Multifunction User - Maker) (Tue 08-Dec-2015 15:41:10) STATE BANK OF INDIA

[Home](#) [About Us](#) [Helpdesk](#) [Contact Us](#) [Fees](#) [CERSAI Circulars](#) [Downloads](#) [Policies](#) [FAQs](#) [Credit Bureaus](#) [Logout](#)

My WorkList

Maker FYA

Condonation Application Status

Queue Reference wise Status

Data Collection

Add Security Interest

Search for Financial Asset



Please note that the relevant fee for Search transaction shall be charged on clicking the 'Search' button. Please ensure that you have verified the input data.

State/UT *

---Please Select---

PIN Code *

Nature Of Property *

---Please Select---

CERSAI ASSET ID BASED SEARCH

https://www.cersai.org.in/ - Central Registry of Securitisation Asset Reconstruction and Securi - Internet Explorer provided by

bing

GISTRAR AND MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
Central Registry of Securitisation Asset Reconstruction and Security Interest of India

Welcome ASHISH KUMAR SINGH (A001628137 | M06 : Multifunction User - Maker) (Tue 08-Dec-2015 15:39:48) STATE BANK OF INDIA

https://www.cersai.org.in/ - Central Registry of Securitisation Asset Reconstruction and Securi - Internet Explorer provided by

bing

SHRI ASHOK KUMAR RALHAN HAS BEEN APPOINTED AS
Central Registry of Securitisation Asset Reconstruction and Security Interest of India

Welcome ASHISH KUMAR SINGH (A001628137 | M06 : Multifunction User - Maker) (Tue 08-Dec-2015 15:42:16) STATE BANK OF INDIA

- Home
- About Us
- Helpdesk
- Contact Us
- Fees
- CERSAI Circulars
- Downloads
- Policies
- FAQs
- Credit Bureaus
- Logout

- My WorkList
 - Maker FYA
- Condonation Application Status
 - Queue Reference wise Status
- Data Collection
 - Add Security Interest

Search for Financial Asset (Asset Id Based)

? Asset Id* :

Search Clear

INDUSTRY EXPOSURE AND OUTLOOK CHECK

State Bank Times → Department 2

State Bank Times - Internet Explorer provided by HCL Infosystems Limited

https://statebanktimes.in/sbi/LoginServlet

State Bank Times

KNOWLEDGE-HUB	CIRCLES	USEFUL LINKS 1	USEFUL LINKS 2	DEPARTMENTS 1	DEPARTMENTS 2	UTILITIES
Read CGM(ESS) Blog: Analysis on SME - Quick Mortality Accounts (QMAs)					REHBU : HOME LOANS	Circle rankings with only 1 week to go
					I F R S	
					I&MA	
					IT-B&CC	
					IT-Network Department	
					IT-Other Apps	
					IT-Vendor Management Department	
					Law Department	
					LOS & IT-Rural Banking	
					New Businesses	
					OAD CC Mumbai	
					Operational Risk Management	
					Overall Product committee	
					Personal Banking Business Unit	
					Precious Metals	
					Premises & Estate	
					Rajbhasha Vibhag	
					Reconciliation	
					Retail Banking Business Bulletins	
					Right to Information Dept	
					Risk Management Department	
					Rural Business Unit	

Chairman's Corner

Our Chairman Smt. Arundh Bhattacharya "The 50 Most Women in Business & "Most Women International" in February 2015

Chairman's Address to Staff on 07.11.2015 on Bank's Financials for the Quarter and Half year ending September 2015
Hindi | English

Chairman's address to the staff on the occasion of launching of Awareness Campaign in the month of November 2015

Chairman's message on Career Development System
Video | PDF | FAQs

Chairman's Messages/Inte

Risk Management Department (javascript:NewWindow('http://10.7.247.10');)

Local intranet | Protected Mode: Off

5:53 PM 12/8/2015

STATE BANK TIMES → DEPARTMENT 2 → RISK MANAGEMENT DEPARTMENT

STATE BANK OF INDIA - RISK MANAGEMENT DEPT - Internet Explorer provided by HCL Infosystems Limited

bing

STATE BANK OF INDIA 8-DEC-2015, Tuesday

RISK MANAGEMENT DEPARTMENT

- About Us
- Informative
- Applications
- Downloads
- Manuals
- Miscellaneous
- Contact Us



User ID :

Password :

Submit [Forgot Password](#)
[Trouble in Login](#)

What's New

- [Industry Snapshot- August,2015](#)
- [Risk Management Newsletter Volume 2](#)

You are visitor no : 1292569

Designed and Maintained by Risk Management Department, Corporate Centre, Mumbai.

Local intranet | Protected Mode: Off

Start

EN 5:43 PM 12/8/2015

INFORMATIVE → INDUSTRY STUDIES AND OUTLOOK → OUTLOOK SUMMARY

STATE BANK OF INDIA - RISK MANAGEMENT DEPT - Internet Explorer provided by HCL Infosystems Limited

bing

Behavioral Analysis Reports
RAROC Template
CRM Policies
ERM Policies
GRM Policies
MRM Policies
Industry Studies & Outlook
CBS Ratings Summary
News Paper Clip
BCBS Basel-III Documents
Financial Stability Board
IRB Approaches
CPPD Circulars

8-DEC-2015, Tuesday

RISK MANAGEMENT DEPARTMENT

User ID :
Password :

Submit [Forgot Password](#)
[Trouble in Login](#)

What's New
★ [Latest News Paper Clipping](#)

You are visitor no : 1292569

Designed and Maintained by Risk Management Department, Corporate Centre, Mumbai.

http://10.7.247.10/# Local intranet | Protected Mode: Off 100% 5:44 PM 12/8/2015

INFORMATIVE → INDUSTRY STUDIES AND OUTLOOK → EXPOSURE LEVEL

STATE BANK OF INDIA - RISK MANAGEMENT DEPT - Internet Explorer provided by HCL Infosystems Limited

bing

STATE BANK OF INDIA 8-DEC-2015, Tuesday

RISK MANAGEMENT DEPARTMENT

- About Us
- Informative**
 - Behavioral Analysis Reports
 - RAROC Template
 - CRM Policies
 - ERM Policies
 - GRM Policies
 - MRM Policies
 - Industry Studies & Outlook
 - Outlook Summary
 - Industry Exposure Level**
 - CARE Industry Risk Metrics (CIRM)
 - Industry Wise NPA Summary
 - CBS Ratings Summary
 - News Paper Clip
 - BCBS Basel-III Documents
 - Financial Stability Board
 - IRB Approaches
 - CPPD Circulars
- Applications
- Downloads
- Manuals
- Miscellaneous
- Contact Us

User ID :

Password :

Submit [Forgot Password](#)
[Trouble in Login](#)

What's New

[Industry Snapshot](#)

You are visitor no : 1292569

Designed and Maintained by Risk Management Department, Corporate Centre, Mumbai.

http://10.7.247.10/crm/industry/Industry-wise%20Exposure%20level%20as%20on%2030.09.2015.c Local intranet | Protected Mode: Off

Start 5:47 PM 12/8/2015

Types of EWS to watch out for (borrower information based (public domain))

news in public domain about the company (post disbursement)

Employees' Provident Fund Organisation

(A Statutory Body under Ministry of Labour & Employment, Government of India)

Company appearing as defaulter of INR 14 crore as per EPFO defaulters list

MIS 110

Select Establishment

UN-EXEMPTED SECTOR - DEFAULTING ESTABLISHMENTS OF

Establishment Code	Name of the Establishment	Period of Default From - to	Arrears in Different Accounts									Total Default (in lacs)	Year
			Provident Fund		Family Pension		EDLI Dues Charges	EDLI Adm. Charges	EPF Adm.	Penal Damages	7Q		
			Employer's Share	Employees Share	Employees' Share	Employers Share							
APHYD42774		4-07 to 3-09	200.83	656.66	455.83	0	27.36	0.55	60.19	0	0	1401.42	2012-2013
AP42774		04-2007 TO 03-2009	200.83	656.66	455.83	0	27.36	0.54	60.19	0	0	1401.41	2011-2012

APPRAISAL

OVERVIEW

Preliminary Appraisal

Detailed Appraisal

Present relationship with the Bank

Opinion Reports

Structure of facilities and Terms of sanction

Proposal for sanction

PRELIMINARY APPRAISAL – PRIMA FACIE ACCEPTABILITY

➤ In order to establish the *prima facie* acceptability of the proposal, the Branch should examine the following aspects in the light of instructions in force:

- ❁ Bank's lending policy and other relevant / RBI guidelines
- ❁ Prudential Exposure Norms
 - ❁ Advisories of CRMD in respect of approach towards lending –
Industry exposure restrictions
 - Group Exposure restriction
 - Industry related risks factors
- ❁ Credit risk rating
- ❁ Whether the activity being performed by the company is legal and profitable
- ❁ Profile of the borrowers/promoters/senior management personal of the project
- ❁ List of defaulters (RBI List of defaulter/Wilful defaulters/CIBIL)

PRELIMINARY APPRAISAL – PRIMA FACIE ACCEPTABILITY

- ⊗ Caution Lists (ECGC Cautions list), (CGTMSE cardinal principles)
- ⊗ Acceptability of the promoter and his ability to bring his margin/promoter's stake.
- ⊗ Compliance regarding transfer of Borrower accounts from one bank to another, if applicable
- ⊗ Government regulations / legislation impacting on the industry
- ⊗ Applicant's status vis-à-vis other units in the industry
- ⊗ Financial status in broad terms and whether it is acceptable

Enhanced Due Diligence –EDD at pre sanction level

EDD can be best solutions for potential NPA's. It should be done at pre sanction level.

The EDD Techniques may include:

- Over and above KYC procedures
- Reasonable assurance
- Relevant adverse information
- Field Investigation
- Behavioural pattern Analysis
- Third Party screening

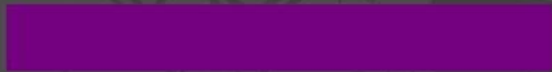
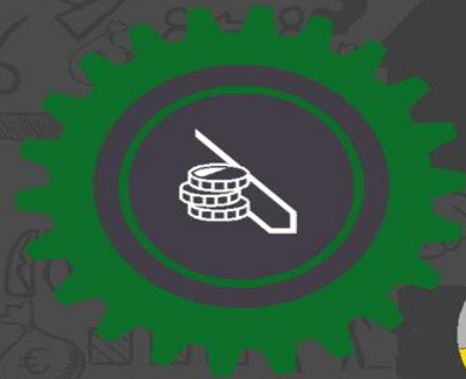
Way Out for Banks

- Put in place Robust & Proactive data monitoring and analytics to detect the Red Flags thus reduce the losses due to Fraudulent conduct of Borrowers.

Strategy

- At the time of sanction / appraisal.
 - I. Analyze the integrity of management
 1. Is management honest, Co-operative, not overly egoistic & willing to work with other?
 2. Does management set reasonable objectives?
 3. Is there a propensity to obtain desired results at all costs?
 4. Is compensation unreasonably tied to the performance results of the company?
 5. Does the company have a compliance & ethic function and a governance, risk & compliance function?
 6. Is the company experiencing unusual profits, growth or losses?
 7. Are the company & its primary areas of business on solid financial & business grounds?
 8. Are the employees, Customers & Suppliers of the borrower happy with the company ?
 9. Change in Auditors.
 10. Consistency in declaring the results over the years.

Risk Assessment Techniques

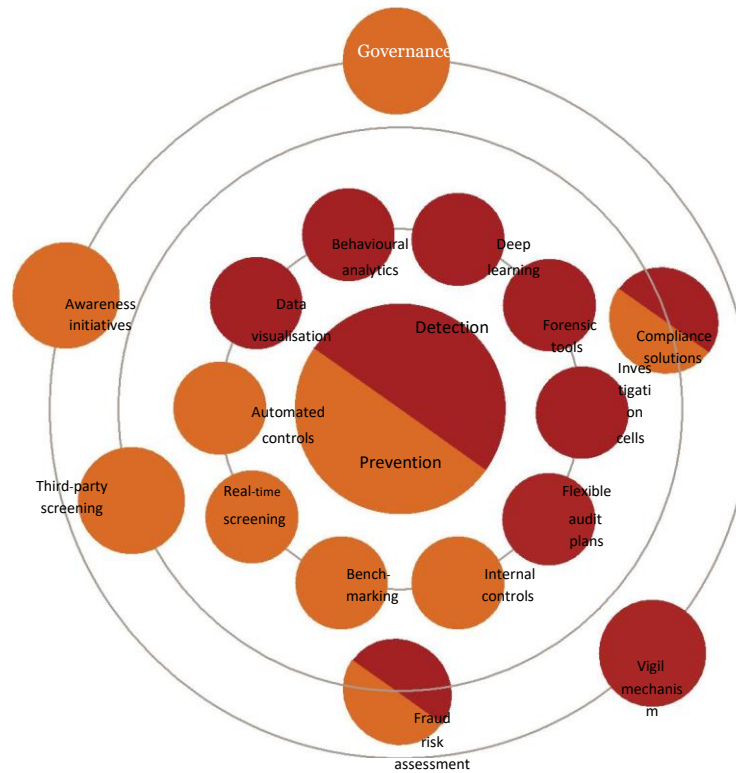


Strategy

Credit appraisal process should include the analysis of the normal ratios from 3 dimensional view & deploying the statistical models to predict:

- Earnings manipulation
- Predicting Bankruptcy

Data Analytics-Important fraud prevention and detection tools



Important analytics to be part of credit appraisal

Ratios:

- Asset Allocation = Balance Sheet – Light/heavy
- Capex vs Unutilized life vs Depreciation
- Cash conversion Cycle
- Dupont ROE Analysis
- CFO/EBITDA Ratio – $\frac{\text{Earnings quality or (Earnings – CFO)}}{\text{Avg. Assets.}}$
- Tangible to Intangible Ratio
- Asset Turnover Ratio – New Capex Decision.
- Interest Expense / Debt ratio to Normalized Interest rate.
- Asset / Revenue Double in 3 years ?
- Growth in Profits / Growth in Sales.

Statistical Models

- Benish Model – M score (Earnings Manipulation) evaluates eight ratios to determine the likelihood of earnings manipulation.

Asset quality, depreciation, gross margin, leverage & other variable are factored into the analysis.

M-score is Calculated:

A value greater than -2.22 warrants further investigation as the firm may be manipulating.

Altman Z score – Predicting Bankruptcy

- Explicitly address the likelihood that a company would go bankrupt.

It evaluates the working capital, retained Earnings, EBITA, Sales & market Cap with Total Assets & total liabilities to predict the result.

Z-Score below 1.8 indicates a firm is headed for bankruptcy.

Z-Score above 3.0 indicates a firm is unlikely to be bankrupt.

$1.8 < \text{Z-Score} < 3.0$ is a statistical “Gray Area”.

Conclusion

- Proactive Steps needed to detect & reduce NPA.
- Anti-fraud tools & techniques to be inbuilt as part of credit appraisal & review system.
- Credit appraisal team to be given training to master the skill set needed to carry out the Analysis.
- The reduction in NPAs & thereby reduction of losses will boost not only Banks net worth but will save the nations scarce resources
- This will help deploying more resources in nation building making Banks “True Partners in ‘nation building”.