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# **LOAN SANCTIONING METHODS AND RECOVERY PROCESS IN INDUSIND BANK LTD**

By

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**PROJECT REPORT**

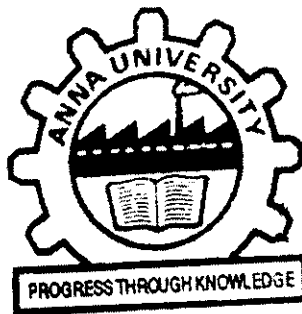
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In partial fulfillment for the award of the degree

Of

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**CENTRAL FOR DISTANCE EDUCATION  
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Month, Year  
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## BONAFIDE CERTIFICATE

Certified that this project report title “**LOAN SANCTIONING METHODS AND RECOVERY PROCESS IN INDUSIND BANK LTD**” is the bonafide work of **Mr.VADIVAZHAGAN.I**, who carried out the work under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on earlier occasion on the or any other candidate.

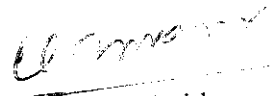


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## ABSTRACT

This Study on “ **LOAN SANCTIONING METHODS AND RECOVERY ROCESS IN INDUSIND BANK LTD**” is done to find out the procedure and adopted for loan sanctioning in IndusInd Bank Ltd and recovery process. The recovery process system it is also studied with Non Performing Assets of the bank for the past four years and few solutions for reducing the Non Performing Assets are given. In the Loan sanctioning methods certain suggestions are given to remodel the credit assessment system to improve this recovery process by reducing NPAs. Loan to Value matrix is fixed for all category of vehicles. From the LTV we can determine fixing the sanction limit for customers. Depends upon the market resale value of the vehicles Loan to Value Matrix is fixed. LTV is fixed for Cars, Light Commercial Vehicles, Commercial Vehicles & Earth Moving Vehicles.

As like as Loan to Value Matrix categorization of customers also fixed. They Are Own income based products, own use no income proof products, Commercial use products, used/refinance products. Even though bank is fixing every limit, there will be deviation. For that they are using delegation of authority. In that any deviation in the Loan to Value Matrix or Categorization that will send for approval from the delegation of authority. Delegation of authority describes the limits of deviation powers to higher authorities. Recovery process methods are explained. Various bifurcations of recovery methods are given. Procedures for recovery of NPA also given.

Analyzed last four years business versus collection analysis. From that we Can decide what is the actual business disbursement and Non Performing \ Assets percentage. In the conclusion various findings and solutions are discussed. Discussed present procedures and methods. Implementation phase also given in the project. IndusInd Bank's current procedure for loan sanctioning and collections are compared. Possible solutions are given.

In this project analyzed current procedure of IndusInd bank's Loan Sanction and Recovery Process discussed. Based on present scenario implementation suggestions also given. The Suggestions given in the recovery side to be implemented in the Loan Sanction procedure side. So that there is a possibility of increase in disbursement as well as reduce in Non Performing Assets.

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# *Introduction*

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# CHAPTER - I

## INTRODUCTION

### 1.1 INTRODUCTION TO THE STUDY

Finance is the life blood of an enterprise. Every enterprise, whether big, medium or small, needs finance to carry on its operations and to achieve its targets. In our present day economy, finance is the provisions of money at the time when it is required and without adequate finance, no enterprise can possibly accomplish its objectives. The major task of financial management is to get the best out of available funds. The term business finance indicates an activity or a process. This is concerned with acquisition of funds and distribution of profit by a business firm. Thus business finance usually deals with the controls.

The financial requirements of a company can be broadly classified into long term, medium term and short term finance. Long term finance is needed for buying machineries and equipment or for the provision of land, factory buildings and other fixed assets. Medium term finance is needed for small tools, implements and major repairs.

Short term finance is required for a few months for the purchase of raw materials for processing and meeting expenses like wages, salaries etc. or in other words to meet its working capital requirements.

If the finance function is properly blended with production, marketing, personnel, accounting and other business functions, the wastage of funds can be avoided. The finance function is not just a service function though it is generally viewed as one. Most of the important decisions of the business enterprises are determined on the basis of availability of funds.

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“Corporation finance deals with the finance problems of corporate enterprises. These problems include the financial aspects of the promotion of new enterprises and their administration during early development, the accounting problems connected with the distinction between capital and income, the administrative questions created by growth the expansion, and finally, the financial adjustments required for the bolstering up or rehabilitation of a corporation which has come into financial difficulties”.

In a banking industry there are lot of procedures and norms are followed to sanction a loan. In this sanctioning of loan is purely based on their financial backgrounds. Depends upon their financial statements loan amounts will vary.

In the recovery process also there are some follow ups to be conducted. For example for an post dated and electronic clearing system customers there is a minimal effort of follow up is needed where as for cash payment and demand draft payment customers there must be a proper follow up to be followed. Lack in follow up will lead to increase in overdue and non performing assets.

The methods followed in reducing the non performing assets will be implemented in the credit assessment system. So that there are lot of possibilities for avoiding defaulters.

Now a days most of the banking industry and non banking financial institutions are introduced and started using the Credit Information Bureau India Limited(CIBIL). With this credit information system we an easily identify the defaulters. For generating the credit information about a customer through CIBIL we need voter id (or) PAN Card (or) Passport number. Once we enter the details of a customer with the help of the above three that will give you the entire past loan details and present payment record about the particular customer.

## **1.3 BACKGROUND OF THE PROJECT**

Chosen "IndusInd Bank Ltd"(Consumer Finance Division) Avinashi Road, Coimbatore for doing the project. The Analysis is related to loan sanctioning, disbursement & collection . Analysis is based on how loans are sanctioned and what are all the different parameters used to fix loan amount for consumers. Also it tells how non performing assets are reduced by strengthening norms & procedures in loan sanction. It also briefly explain different types of loans available with the bank.

Various norms used for commercial vehicles, non commercial vehicles and earth moving equipments are also analyzed. In this project we are presenting all the flow chart presentation for organizational structure, process structure.

## **1.2 PROBLEM IDENTIFIED**

In the banking industry sanctioning of consumer loan and recovery processes are done in a procedural manner by the bankers. They have framed lot of norms and procedures for sanctioning and recovering the loan from Customers. It is studies to analyze the sanction methods and recovery procedures and norms followed by IndusInd bank ltd (Consumer Finance Division), Avinashi road branch, Coimbatore.

When there is a inadequate in recovery process, possibility of generation of more non performing assets. Here we are going to compare last four years non performing assets percentage and going to analyze the various solutions.



## **1.4 NEED FOR THE PROJECT**

Most of the times customers are not aware of the basis of evaluation of their proposals given to banks. From this project we can clearly get an idea about the sanctioning of loans and what are all the collection processes they are following to reduce non performing assets. By concentrating and introducing different norms and procedures in loan sanctioning helps in reducing the non performing assets of the bank. When we are discussing about the sanctioning procedure every body can come to know the quantum limitations, document requirements, eligibility conditions fixed by banks and in the recovery process we can come to know the various collection methods followed by banks.

Usually they will tighten the norms of loan sanction from the basis of recovery.

*Objectives of the study*

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## **1.5 OBJECTIVES OF THE STUDY**

Objective of this project is to study about banking loan process, on what basis limit is fixed, recovery process followed by banks and different processes followed by banks to reduce the non performing assets. From this project the customers can come to know briefly about the sanctioning methods and collection methods followed by banks. By analyzing loan sanctioning process there is a possibility for the banks to redefine the rules and procedures. They can implement the same in loan sanctioning process. From this project they can easily decide to which category of asset and customers they have to fund more and to which category of asset and customers they have to restrict the quantum.

## **1.6 SCOPE OF THE PROJECT**

Customers can come to know the procedures followed by banks for sanctioning loans and they may get some in depth idea about the banks. By concentrating on recovery process there may be getting lot of implementation procedures in the existing process. Comparative study with the previous year disbursement and non performing assets they can get some conclusions and suggestions for remodeling the existing credit system so as to increase the disbursement.

They can come to know the various risk reduction methods. There is a possibility of increase in disbursement and reduction in non performing asset so that ultimate increase in profit compared to last few financial years.

## **1.7 SUMMARY OF REVIEW OF LITERATURE**

Most of the projects done before were not clearly explained the norms and procedures of a banking industry. In the banking industry loan disbursement and recoveries were good in the year 2007-2008 .We are going to analyze the norms and procedures followed by the banks in the past few years. So that we can get a clear idea about how the norms and procedures were changed and implemented. Collected lot of datas from newspapers, websites and banking books.

## *Scope of the Project*

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## **1.8 METHODOLOGY OF THE STUDY**

### **Research Methodology**

Chi Square test

Percentage Analysis

### **Tools Used**

The data collected from various sources were analyzed by using simple percentage method and graphs.

### **Charts & Diagrams**

Charts, schedules and diagrams are used to have a quick and clear view of the study.

### **Type of Project**

Descriptive

Most of the topics are related to descriptive type. Discussed most of the norms and procedures of the bank only by way of descriptive. Even in Loan to value matrix, segregation of loan types, delegation of powers everything detailed only by way of descriptive.

# Target Respondents

In this project target respondents are quality customers. dealers and recovery agencies. We are trying to educate all the customers about the banks procedures for sanction of loans and collections.





## **1.9 ASSUMPTION & LIMITATIONS**

Here most of the datas are real time datas and some datas are assumed. Most of the deciding factorial datas we have collected are real time datas. We have taken last four years data for doing the project. So datas are so vast and for doing some analysis we are assuming some datas.

Limitation is nothing but we have taken only indusind bank ltd,avinashi road customers. The datas available with one branch is too high so that we are limiting our project with in the branch datas. If sufficient time and other resources were available, the study could have been more elaborate. In that case interviews and other discussion could have been made in a much elaborate manner. The study is limited for a period of four years. We are not able to compare with the Current year.

### **Sampling Size**

We are analyzing last five years customer datas. So sampling size is high. So we are randomly selecting customer datas available from us.

### **Source of data collection**

Most of the datas are real time datas and the same was sourced from bank business folder and collection demand list. Therefore the sources for collecting the data includes both primary and secondary data.

# **Tools For Analysis**

Simple Percentage Analysis

## CHAPTER II

### PROFILE OF THE COMPANY

IndusInd Bank was inaugurated in the year 1994 and it is having 180 branches. The bank is spread over 147 geographical locations. Now it is available in 28 states. A+ Rating for its certificates of deposits by ICRA (Investment Information and Credit Services in India). P+ Rating for its fixed deposits and certificate of deposits by CRISIL (Credit Rating And Information Services Of India Ltd). Directors of this bank are given below.

Mr. R. Seshasayee Managing Director, Ashok Leyland Ltd.

Mr. R. Sundararaman Former Dy Managing Director of SBI

Mr. T. Anantha Narayanan Chartered Accountant and Expert in Agriculture and Rural Economy

Dr. T. T. Ram Mohan Professor, Finance & Accounting, IIM, Ahmedabad

Mrs. Pallavi Shroff Practising Lawyer

Mr. Premchand Godha M.D. of Ipca Laboratories Ltd., having practical experience of SSI & Agriculture

Mr. Ajay Hinduja Businessman

Mr. Sushil Chandra Tripathi I.A.S (Retired), Advocate

Mr. Ashok Kini Former Managing Director of SBI

Mr. Romesh Sobti Managing Director & CEO

In the year 2008-09 total business crossed Rs. 37,800 crores. Net Profit up by 98% to Rs. 148.34 crores. Net Interest Income up by 53% to Rs. 459.03 crores. Fee and Other come up by 53% to Rs. 456.24 crores. Net NPA at 1.14 % as compared to 2.27% as on March 31, 2008. Net worth moved to Rs. 1429 crores Earning per share (Basic) increased to

Rs 4.28 from Rs 2.35 Capital Adequacy Ratio stood at 12.33 % as against the minimum regulatory norm of 9%. Highest A1+ rating for

its Certificates of Deposit by ICRA and the highest P1+ rating for its Fixed Deposits and Certificates of Deposit by CRISIL. Dividend declared 12% up from 6%. Bagged The Economic Times Acer Intel Smart Workplace Award, in the Financial Services category. Mandated as Settlement Banker for Tea auctions at Kolkata, Siliguri, Coonoor and

Guwati. In the year 2007-08 Business Turnover touched a figure of Rs 31833.16 crores Network of Branches increased to 180 along with 183 off-site ATMS, thus having presence in over 147 geographical locations spread over 28 States including Union Territories Highest A1+ rating for its Certificates of Deposits by ICRA and the highest P1+ rating for its FDs by CRISIL.

A strategic tie-up with Religare Securities for offering a value-added 3-in-1 savings accounts-linked package to customers – comprising a savings bank account, a depository account, and an Internet trading account Signed an agreement with National Multi Commodity Exchange Ltd. (NMCE) to become their Clearing Bank; It already had such agreements with MCX and NCDEX Strategic partnership with Cholamandalam MS for banc assurance Bestowed with the prestigious 'Corporate Excellence' award by Amity International Business School during its 10th International Business Summit (INBUSH) 2008. The award was presented by H.E. Mr. Salohoddin Nasriddinov, Ambassador, Embassy of Tajikistan Received recognition in the form of a Certificate of Nomination for the Avaya Global Connect Customer Responsiveness Awards. The participants for the award were evaluated on various parameters such as Responsiveness, Intelligence Generation, Intelligence Dissemination, Customer Education, Top management Emphasis, Innovation and learning Received recognition by BSE and NASSCOM Foundation for the Best Corporate Social Responsibility Practice Category Featured in The Standard & Poor ESG India index which provided the investors with exposure to liquid and tradable index of 50 of the best performing stocks in the Indian market as measured by environmental, social, and governance(ESG) parameters. In the year 2006-07 Net worth crossed a milestone

figure of Rs. 1000 crores at Rs. 1056 crores Successful completion of GDR issue of Rs. 145.96 crores Business Turnover touched a figure of Rs 28.700 crores registering a growth of 18.14% over the previous year. Network of Branches increased to 170 along with 99 off-site ATMs, thus having presence in over 141 geographical locations spread over 27 States including Union Territories. Highest A1+ rating for its Certificates of Deposits by ICRA and Highest P1+ rating for its FDs by CRISIL. Bestowed with the prestigious IBA Award for technology implementation (STP). Added a number of new business and product lines, viz the launch of Indus GOLD and Indus Gift Card, E-Remittance facility, tie-up with number of Banks for ATM usage, tie-up with Religare Securities to extend Portfolio Management services and Bancassurance tie-up with Aviva Life Insurance.

In the year 2005-06 Ranked among the top ten banks in the country in the ET500 list of leading companies in India. Rated as 'The best among the top 10 private-sector banks' in a survey covering 79 banks conducted by Business Standard in its November 2005 issue. Ranked sixth in the overall list, the Bank was also identified as 'Most Efficient Bank' among all banks in India. Bestowed 'India's Most Productive Bank' status by a Business Today- KPMG Survey Presented 'Outstanding Achiever of the Year 2005- Corporate' (Runner up- Banking Technology Award) by IBA, Finacle (from Infosys) and TFCI (Trade Fair and Conference International). Honoured with the 'Award for Corporate social Responsibility (CSR)' at the India Brand summit 2005, Mumbai.

In the year 2004-05 Business Turnover crossed Rs. 22000 crores Network grew to 115 branches, 9 extension counters and 195 ATMs, spread over 95 geographical locations

Bestowed with highest ratings for deposits from reputed rating agencies Highest rating 'P1+' - on Fixed Deposits from CRISIL Highest rating 'P1+' - on Certificate of Deposits from CRISIL Highest rating 'F1+' - on Certificate of Deposits from Fitch Ratings India Pvt. Ltd.

Bank's second International Representative office opened in London. 100th Branch opened at Dadar, Mumbai. Signed an Agreement with NCDEX as clearing banker.

Launched International Mahila Card.

In the year 2003-04 Total business volume touches Rs. 19,000 crores. Completes 10 years of banking excellence. Ashok Leyland Finance merges with the Bank. The first Indian Commercial Bank to achieve certification for its 'Entire Network of Branches' under the ISO 9001:2000 Quality Management System. Launch of Debit Card- International Power Card. Bank's first International Representative Office in Dubai. One of the first banks to go live on RTGS platform

In the year 2002-03 One of the first banks to implement the RBI- Electronic Funds Transfer scheme.

In the year 2001-02 Total business volume touches Rs. 14,000 crores. Highest productivity in the Indian banking sector with Rs. 16 crores of business per employee.

In the year 2000-01 Total business volume crosses Rs. 10,000 crores 1998-99 IndusInd again rated as one of the Top Performing Banks in various survey reports, for the second year in succession.

In the year 1997-98 IndusInd rated as one of the Top Performing Banks in various survey reports.

In the year 1996-97 Pioneer in launching Internet Banking

In the year 1994-95 IndusInd Bank comes into existence. Completes first profitable year of operations.

Its mission is to position IndusInd Bank limited as a Top 3 performer in the new private bank space in 3 years measured by the 3 parameters of Profitability, Productivity and Efficiency. This bank is doing Personal Banking, Wealth Management, Consumer Finance, Corporate banking, International Banking, Investment Banking, Treasury,

Capital/Commodities Market, NRI Services, Online Banking & RTGS.

*Loan to Value (LTV) Matrix*

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## CHAPTER III

# LOAN TO VALUE (LTV) MATRIX

In IndusInd Bank Ltd they have fixed some value for every vehicle. This is called as Loan to Value Matrix. Its nothing but the present market loan value for the vehicles. They will process the loan only by using this matrix. They have segregated the segment into three namely cars, commercial vehicles & Construction equipments. Sometimes it may exceeds the grid value. In that time deviation has to be approved by the concern State Head. Fixing the Loan to value matrix based on market values of all the areas put together.

## 3.1 LTV GRID FOR CARS

LTV GRID FOR CARS				
NEW CAR (ON EX SHOWROOM PRICE)				
CATEGORY OF ASSET	OWN USE INCOME PROOF	OWN USE REPAYMENT	OWN USE NO REPAYMENT NO INCOME PROOF	COMMERCIAL USE
CAT A	85%	80%	70%	75%
CAT B	80%	75%	65%	70%
CAT C	75%	70%	60%	65%
USED CAR (VALUATION REPORT OR IDV WHICHEVER IS LOWER)				
CATEGORY OF ASSET	OWN USE INCOME PROOF	OWN USE REPAYMENT	OWN USE NO REPAYMENT NO INCOME PROOF	COMMERCIAL USE
CAT A	75%	70%	60%	70%
CAT B	70%	65%	55%	65%
CAT C	NA	NA	NA	NA

### CARS CLASSIFICATION

Class	Manufacturer	Model	Category
Mini - (Upto 3400 mm)	Maruti Suzuki India Ltd	Maruti 800	B
	Maruti Suzuki India Ltd	Maruti omni	B
Compact (3401-4000mm)	Hyundai Motor India Ltd	Santro	A
	Hyundai Motor India Ltd	I 10	A
Compact (3401-4000mm)	Maruti Suzuki India Ltd	Alto	A
	Maruti Suzuki India Ltd	Wagon R	A
Compact (3401-4000mm)	Maruti Suzuki India Ltd	Swift	A
	Ford India Pvt Ltd	Fiesta	B
Mid-size (4001-4500 mm)	Maruti Suzuki India Ltd	Dezire	A
	Hyundai Motor India Ltd	Getz	C
Compact (3401-4000mm)	Hyundai Motor India Ltd	I 20	B
	Maruti Suzuki India Ltd	Zen	A
Compact (3401-4000mm)	SkodaAuto India Pvt Ltd	Fabia	C
	Honda Siel Cars India Ltd	City	A
Mid-size (4001-4500 mm)	Hyundai Motor India Ltd	Verna	B
	Tata Motors Ltd	Indigo	C
Compact (3401-4000mm)		Indigo CS	B
	Fiat India Automobiles Pvt Ltd	Palio	C
Compact (3401-4000mm)	Fiat India Automobiles Pvt Ltd	Fiat 500	C
	General Motors India Pvt Ltd	Spark	B
Compact (3401-4000mm)	General Motors India Pvt Ltd	U-VA	C
	Maruti Suzuki India Ltd	A Star	C
Compact (3401-4000mm)	Tata Motors Ltd	Indica	C
	Fiat India Automobiles Pvt Ltd	Adventure Sport	C

Mid-size (4001-4500 mm)	Ford India Pvt Ltd	Ford Ikon	C
Mid-size (4001-4500 mm)	Ford India Pvt Ltd	Fusion	C
Mid-size (4001-4500 mm)	General Motors India Pvt Ltd	Chevrolet Aveo (NB)	C
Mid-size (4001-4500 mm)	Hyundai Motor India Ltd	Accent	B
Mid-size (4001-4500 mm)	Mahindra Renault Pvt Ltd	Logan	C
Mid-size (4001-4500 mm)	Maruti Suzuki India Ltd	SX4	B
Mid-size (4001-4500 mm)	Tata Motors Ltd	Indigo Marina	C
Mid-size (4001-4500 mm)	Hindustan Motors Ltd	Ambassador	D
Mid-size (4001-4500 mm)	Hindustan Motors Ltd	Lancer	C
Mid-size (4001-4500 mm)	Hindustan Motors Ltd	Cedia	C
Mid-size (4001-4500 mm)	Maruti Suzuki India Ltd	Esteem	D
Mid-size (4001-4500 mm)	Maruti Suzuki India Ltd	Boleno All Multi Utility Vehicles All Executive, Premium and Superpremium vehicles	D U (Not to be done under cars) C

**NOTE:**

1. ALL AUTOMATIC TRANSMISSION MODELS OF CAT A AND CAT B VEHICLES WILL BE CONSIDERED AS CAT C
2. ALL AUTOMATIC TRANSMISSION MODELS OF CAT C TO BE CONSIDERED AS CAT D
3. ALL CAT D VEHICLES SHOULD BE SENT TO HO FOR APPROVAL
4. MULTI UTILITY VEHICLES CANNOT BE DONE UNDER THIS CARS PROGRAM

**RE-REGISTERED VEHICLES NOT TO BE DONE FOR USED CAR AND REFINANCE**



### 3.2 LTV GRID FOR COMMERCIAL VEHICLES

YEAR/MODEL	AL1611/1612	AL2214	AL 3516WITH TRAILOR	AL TIPPER 142"WB
2008	6.9	7.9	9.3	6.9
2007	6.40	7.40	8.75	6.25
2006	5.90	6.75	8.25	5.75
2005	5.30	6.00	7.50	5.25
2004	4.90	5.50	7.25	5.00
2003	4.50	4.90	6.50	4.75
2002	3.75	4.25	5.50	3.75
2001	3.40	4.00	4.90	3.25
2000	2.80	3.50	0.00	2.75

### 3.3 LTV GRID FOR LIGHT COMMERCIAL VEHICLES

MODEL	TATA-407	TATA-407-BUS	TATA-1613-TIPPER	EICHER-10.90	MAHINDRA-TOURISTER-25 SEATER	TEMPO TRAVELLER-25 SEATER-Basic model
2008	3.75	4.5	5.9	4.9	4.85	5
2007	3.30	4.00	5.40	4.50	4.40	4.6
2006	2.90	3.50	4.90	4.00	4.20	4
2005	2.50	3.00	4.50	3.50	3.60	3.6
2004	2.10	2.60	4.00	3.00	2.80	3
2003	1.90	0.00	0.00	2.65	2.40	2.5
2002	1.50	0.00	0.00	2.30	0.00	0
2001	0.00	0.00	0.00	2.00	0.00	0
2000	0.00	0.00	0.00	0.00	0.00	0

### 3.4 LTV GRID FOR EARTH MOVING EQUIPMENTS

YR	JCB-TN	JCB-PY	TATA HITACHI ex70/60/65	TATA HITACHI ex110	TATA HITACHI ex200	KOMATSU PC200	Asphalt compactor
			14	19	25	28	16
2008	13	12	12	16	22	24	14
2007	12	11	11	14	20	20	13
2006	10	9	9	12	18	16	12
2005	9	8	8	11	16	14	11
2004	8	7	7	9	14	12	10
2003	7	6	6	8	12	10	9
2002	6	5	5	7	10	9	8
2001	5	4	4	6	9	8	7
2000	4	3	3	5	8	7	
1999	3	2					

*Credit Dossier*

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# CHAPTER IV

## CREDIT DOSSIER

### 4.1 SEGMENTATION

The target Customers will be broadly of two types

- 1) Own Use
  - a) Income based product- Targeted towards both salaried and business
  - b) Non income based product- Targeted towards business profiles who have a repayment track or a low LTV.
  
- 2) Commercial Use.
  - a) First time user with existing customer as Co Borrower/guarantee
  - b) Small fleet operator (More than one vehicle but up to 5 vehicles)
  - c) Medium fleet operator (More than 5 vehicles )
  
- 3) Used Cars

The loan can be availed by individuals, sole proprietors, partnership firms, private and public limited companies who satisfy the eligibility criteria.

The security for the loan sanctioned to borrower would be the vehicle financed, in the form of hypothecation endorsement (in Invoice/Insurance and Registration Documents).

## 4.2 INCOME BASED PRODUCT

### 1. Target Customer profile:

This product is targeted towards salaried and business profiles who have got income proof in the form of Income tax returns, TDS certificates, Banking habits,

etc.

### 2. Eligibility norms:

Parameter	Norm
Age	More than equal to 25 years for salaried and 30 years for business
Domicile	Current 1 year and Total 3 years
Profile of the borrower	Should not be in caution profile/negative profile
Employment stability/ Business stability	Should be at least 2 years for salaried/ 3 years for business.
Income level	For Salaried 50% FOIR and for business profile Income ratio of 2 times
Finance Amount to Net income ratio	Should not be more than 2 times
Co-Borrower	Proposal should have a Co-borrower
Bank balance to installment	Should be at least 1.5 times
Category of asset	Should be A or B
Income Documents	Latest 2 payslips and Form 16/ITR for salaried. For business profiles Latest 2 years ITR and audited financial statements required.

Cibil Report	No Overdues, Not more than 30+ once a year, Not more than once in 60+ in entire tenor, Not in 30+ in last 6 months, no writeoff/suit filed
FI report	Both residence and office and should be positive. If proposal is based on the income strength of the borrower then FI office for co-borrower can be waived and vice versa.
RCU Report	Should be positive if sampled
Reference check	Two reference checks to be positive
Credit rating	Should be A or B
Insurance deposit	100% of the second and third year insurance
LTV	As per LTV grid

For Software Professionals and BPO employees, the following additional conditions to be satisfied:

Married, Min age 30, current employment 1 year.

If staying in rented place, FI needs to be done at permanent address and documented in the file.

**Income Proof – Salaried class:**

The FOIR (Fixed Obligation over income ratio) is the basis of evaluating the income of a salaried customer

$$FOIR = \text{Proposed EMI/Net Income}$$

Net Income = Basic + (Dearness Allowance, House Rent Allowance and other fixed allowances given on a monthly basis viz. Transport/ Attirement/ Medical/ Special Allowance)+ Average monthly bonus + 70% Rental income – Income tax per month as per latest ITR/ Form 16 – PF - Existing installments.

Arrears received for previous months, refund of earlier deductions, one time bonus or special awards or payments if any, should not be considered in arriving at Gross Salary Income.

Net Salary Income should be arrived at, after deducting ESI/PF contributions, IT recoveries, Professional Tax and deductions against employer loans / loans from other banks/FI having salary deduction. However, year-end IT recoveries can be annualized in arriving at average Net Salary Income.

Where tax saving is done like LIC premium payment, Voluntary PF contributions etc. should not be treated as "Deductions" for the purpose of arriving at Net Salary Income.

## Net Income for Business profiles:

The income that is to be considered for the purpose of appraising the borrower or Co-borrower/Co-Borrower is as below:

**Net Income** = Net profit (as per audited financial) (+) Depreciation (+) Remuneration to partner/ director (if vehicle taken in the name of firm name / company name) (+) Interest capital (+) 70% of rental income.

If the loan is given in the name of partner then we should work out the above figures based on his percentage share in the firm. Eg: If a partner has got 50% share in the business then we need to consider 50% of profits and other items. Remuneration and interest on capital pertaining to that partner shall only be added back.

The Net Income computed using the above method should be at least 2 times the annual installment for satisfying income norm.

**Rental income:** In exceptional cases, where the applicant has only rental income - the proof for such income/ regularity should be evidenced in the form of Rental Agreement executed with the tenants. The **property should be owned** by the applicant or should be on lease where, as Principal Lessee, has the rights to sub-lease the property.

Where rental (leave & license) agreement is furnished as "Income Proof", the agreement should have been executed on a stamp paper dated at least 1 year prior to the date of proposal and the agreement should have been effective at least 1 year prior to the date of proposal and the rental agreement is valid till at least 1 year from the date of the proposal. Where the Rental Agreement has been executed recently - check whether it is a roll-over of the previously elapsed agreement and continuity is ensured. We shall be considering 70% of the rental income for the purpose of appraisal.

The monthly rentals receivable (excluding maintenance charges, if any) should be at least 4 times of the monthly EMI payable. This should also be substantiated by the Credits in the Bank State ment

When Income Tax Returns (ITRs) is collected as income proof, the C.O. should ensure to check the genuineness of the document submitted and income details reflected there in. The return is filed as per format ITS-2.

**ITR filing period:** For individuals in "Salaried Class", the Saral (Form 2D - ITS 2D) needs to be filed before 31<sup>st</sup> July of the assessment year (for income earned during the financial year i.e. previous year April to March). Similarly for assesses having no income under "Profits and Gains from business/profession", the return has to be filed before 31<sup>st</sup> July of the assessment year. In case of all other assesses, the return should be filed before 30<sup>th</sup> September of the assessment year.

## 4.3 OWN USE - NO INCOME PROOF PRODUCT

### 1. Target Customer profile:

This product is targeted towards business profiles who do not have income tax returns or banking habits. However these customers should have repayment track for purchase of any vehicle. (i.e. Car, CV, EME)

### 2. Eligibility norms:

Parameter	Norm
Age	More than equal to 30 years
Domicile	Current 1 year and Total 3 years
Profile of the borrower	Should not be in caution profile
Business stability	Should be at least 3 years in business.
Repayment track	Average delay of less than 20 days (or) peak delay of less than 45 days. Repayment proof is mandatory. SOA (or) bank debits for 12 months and amort schedule/sanction letter.
Co-Borrower	Proposal should have a Co-Borrower
Category of asset	Should be A or B
Business Proof	To be documented for min 2 years
Resicum Office	Generally to be avoided under this category, to be mitigated by repayment and owned residence
Cibil Report	No Overdues, Not more than 30+ once a year, Not more than once in 60+ in entire tenor, Not in 30+ in last 6 months, no writeoff/suit filed
FI report	Both residence and office and should be positive. If proposal is based on the income strength of the borrower then FI office for co-borrower can be waived and vice versa.
RCU Report	Should be positive if sampled
Market Reference	Two reference checks to be positive
Credit rating	Should be A or B
Insurance deposit	100% of the second and third year insurance
LTV	Repayment track based funding 80% and low LTV based is 65%. This is for CAT A assets. For CAT B assets the LTV shall be lower by 5% and for CAT C it shall be lower by 10%

## 4.4 COMMERCIAL USE PRODUCT

### 1. Target Customer profile:

This product is targeted towards cab and tourist operators. Customers could be classified as first time user guaranteed by an existing customer, small fleet operator (More than one vehicle but up to 5 vehicles), medium fleet operator (More than 5 vehicles but up to 15 vehicles).

### 2. Eligibility norms:

Parameter	Norm
Age	More than equal to 30 years
Domicile	Current plus previous is greater than 3 years
Business stability	Should be at least 3 years in business.
Profile of the borrower	Should not be in caution profile
Fleet strength	At least one vehicle
Operational viability	At least equal to one
Co-Borrower	Proposal should have a Co-Borrower
Repayment track	Average delay of less than 20 days (or) peak delay of less than 45 days. One repayment compulsory or it should be coborrower based
Category of asset	Should be A or B
Cibil Report	No Overdues, Not more than 30+ once a year, Not more than once in 60+ in entire tenor, Not in 30+ in last 6 months, no writeoff/suit filed
FI report	Both residence and office and should be positive. If proposal is based on the income strength of the borrower then FI office for co-borrower can be waived and vice versa.
RCU Report	Should be positive if sampled
Market Refernce	For new customers market reference to be obtained from existing customer/ banker/ fleet operators
Credit rating	Should be A or B
Insurance deposit	100% of the second and third year insurance
LTV	80% of ex showroom price. This is for CAT A assets. For CAT B assets the LTV shall be lower by 5% and for CAT C it shall be lower by 10%

## 4.5 USED/REFINANCE PRODUCT

### 1. Target Customer profile:

This product would be for all the customer categories mentioned above except usage for commercial purpose.

Used vehicle funding would refer to funding for a purchase of a used car. Thus the name transfer should not be before 3 months. If the name transfer is beyond 3 months it would be classified as a refinance transaction.

### 2. Eligibility norms:

Parameter	Norm
Category of Asset	Only Cat A and Cat B asset can be funded.
Age of the asset.	The age of the asset shall not exceed 6 years for no income proof and 8 years for income proof at the end of loan tenure.
Application	Own use. T Board vehicles not to be funded
Tenure	Minimum 1 year and maximum 3 years.
LTV	10% LESS THAN corresponding new Assets.
Minimum Loan amount	Rs. 50000.

## 4.6 DELEGATION OF AUTHORITY

	Aggregate quantum of funding	Number of vehicles per proposal
Branch Credit Committee	Up to Rs. 5 lacs	One vehicle
State Credit Committee	Up to Rs. 8 lacs	Maximum of 2 vehicles
Corporate office credit committee I	Up to Rs. 50 lacs	No restriction
Corporate office credit committee II	Up to Rs. 100 lacs	No restriction

The BCC shall be constituted by the Branch manager and the concerned Branch in charge.

The SCC shall be constituted by the concerned BIC, SCM and SH.

The COCC I shall be constituted by the Head (Consumer banking), EVP, Senior credit Manager/ AGM Credit, SCM, SH.

THE COCC II shall be constituted by the Chief Risk officer, Head (Consumer banking), EVP, Senior credit Manager/ AGM Credit, SCM and State Head.



## 4.1 DEVIATION MATRIX

Prescribed norm	Nature of deviation	Tolerance and Risk enhancement	Approval Level	Applicability
<p><b>Age :</b> Maximum Age criteria at the end of loan tenor: Salaried: 58 years Business: 65 years</p> <p>Minimum Age criteria at the beginning of loan tenor: 26 years – for individuals/Salaried</p> <p>30 Years for Business Class</p>	<p>Norm not fulfilled i.e. age of borrower/Co-Borrower as at the end of loan tenor is more than the prescribed maximum age limit</p> <p>Norm not fulfilled i.e. age of borrower/Co-Borrower as at the beginning of loan tenor is less than 26/30 years</p>	<p>Maximum of 2 year i.e. 60 years / 67 years as the case may be. Mitigate:</p> <ul style="list-style-type: none"> <li>• No deviation in Income and LTV norm.</li> </ul> <p>Not less than 23 years for Salaried &amp; 27 for business Mitigant:</p> <ul style="list-style-type: none"> <li>• No deviation in Income and LTV norm.</li> </ul> <p>Note: Co-Borrower is taken who satisfies all eligibility criteria as per Manual – as may be applicable for the vehicle especially minimum &amp; maximum age norm)</p>	<p>L1D1 S.H/</p> <p>L1 (S.H.)</p>	<p>All customer category</p>
<p><b>Domicile:</b> Current residence: 1 year Total stability in city: 3 years</p>	<p>Period of domicile of borrower is less than the norm</p>	<p>2 years domicile for Salaried &amp; Business class (where the premises is rented)</p> <p><b>Mitigants:</b></p> <ul style="list-style-type: none"> <li>• No Income and LTV deviation.</li> <li>• Co-Borrower should satisfy the domicile stability norm</li> </ul> <p>----- If the residence is Own this norm can be waived. But the FI feedback should confirm this. Proof of ownership like property document/tax challan is mandatory.</p>	<p>L1 (S.H)</p>	<p>All customer category</p>

<p>profile:          profile of the borrower should not be in caution profile as mentioned in earlier chapters and no exceptions to Negative profiles as classified in earlier chapters.</p>	<p>Borrower in Caution Profile</p>	<p>No deviation with regard to income criteria. Age and domicile criteria</p>	<p>L1 (S.H.)</p>	<p>All customer category</p>
<p><b>Employment Stability:</b>          Experience of at least 2 years with not more than one job change in the last 12 months.</p>	<p>Experience of less than 2 years (or) more than one job change in the last 12 months.</p>	<p>period of service should not be &lt; 6 months and the applicant should be a confirmed employee. Total employment should be min 1 year</p> <p><b>Mitigated:</b></p> <ul style="list-style-type: none"> <li>Income criteria and LTV criteria cannot be waived.</li> <li>Co-Borrower should necessarily satisfy employment stability.</li> </ul>	<p>L1 SH</p>	<p>Income based funding</p>
<p><b>Business Stability:</b>          Min. 2 year in current business and Min. 3 years in total business (business class)</p>	<p>Borrower/Co-Borrower has been in current business for less than 2year (or) total business experience is less than 3 years</p>	<p>Minimum requirement in current business cannot be waived. However where a proprietorship has been converted into a Firm / Company or where a Firm has been converted into a Co. and earlier entity satisfies the norm + Very healthy financials in the current business + Good FI feedback – Deviation can be allowed.</p>	<p>L1</p>	<p>All customer category</p>

<p>Income level: For Salaried 50% FOIR and for business profile income ratio of 2 times the Annual Installment</p>	<p>Foir is more than 50 % and income Ratio is less than 2 times</p>	<p>Total requirement can be waived – tolerance “not less than 2 years” + Very healthy financials in the current business + Good FI feedback</p> <p>FOIR up to 60 % &amp; Income ratio to be at least 1.5 times the EMI.</p> <p>Mitigant: • No LTV, age and domicile deviation.</p>	<p>LI SH</p>	<p>Income based funding</p>
<p>If rental income is the only source of income:</p>	<p>Rental income declared as only source of income of borrower/Co-Borrower</p>	<p>Monthly rentals excl. Maint. charges &gt; 2.5 * Avg. installment but less than 4 times</p>	<p>LI</p>	<p>Income based funding</p>
<p>Monthly rentals excl. Maint. charges &gt; 4 * Avg. installment</p>	<p>Continuity is less than 1 year</p>	<p>Continuity proof not available</p>	<p>LI</p>	
<p>Continuity of Rental Agreement to be min 1 year with proof</p>	<p>ITR income is less than norms</p>	<p>Mitigant: 2 year ITR declaring rental income should be documented</p>	<p>LI</p>	
<p>Income as per ITR under the “Income from HP” =&gt; 70% of the Annual rentals excl. Maint. Charges</p>		<p>Income as per ITR is between 50% to 70% Income as per ITR is less than 50% of rental income as per rental agreement. Note: Proof of ownership is compulsory and the property has to be in the borrowers name</p>	<p>PH</p>	

<p>Finance Amount: Finance Amount to Net annual income ratio should not be more than 2 times</p>	<p>The Finance amount Ratio is more than 2 Times</p>	<p>Income Ratio cannot be less than 1.5 times.  <b>Mitigants:</b>  FI, LTV norm, Age and domicile norm cannot be deviated.</p>	<p>L I S.H.</p>	<p>Income based funding.</p>
<p>Co-Borrower/Co-applicant: Proposal should have a Co-Borrower (or) Co-applicant</p>	<p>There is NO Co-Borrower/ Co-borrower.</p>	<p>The Proposal should Satisfy all other Parameters and supported by +ve FI  <b>Mitigant</b>  No deviations in any of the norms for the borrower.</p>	<p>L II P.H</p>	<p>All customer category</p>
<p>Repayment track Record: Average delay of less than 20 days and peak delay of less than 45 days.</p>	<p>Delay is beyond Norms</p>	<p>Average Delay is less than 30 days and Peak Delay is 60 Days  <b>Mitigant</b>  No deviation in income, FI and LTV criteria</p>	<p>L I S.H.</p>	<p>All customer category</p>
<p>Bank balance to installment:  Should be at least 1.5 times and the account should be at least one year old.</p>	<p>Balance is less than 1.5 Times</p>	<p>Average bank balance should be at least equal to the EMI. &amp; the account should be at least one year old.  <b>Mitigant</b>  No deviation on domicile, Age, and FI. LTV to be less than 5% than norm.</p>	<p>L I S.H.</p>	<p>Income based funding</p>

<p>Category of asset: Should be A and Cat B</p>	<p>Cat C Asset</p>	<p>Mitigated: No deviation on any other norm</p>	<p>L I S.H.</p>	<p>All customer category</p>
<p>TV: <b>Own use -Income based funding</b> Cat A asset 85% of ex showroom price Cat B asset 75% of ex showroom price Cat C asset 70% of ex showroom price. <b>For Own use -Non Income based (Repayment based)and commercial vehicle LTV shall be 5% lower than the above mentioned LTV for the respective class.</b> <b>For own use No Income based and No repayment track record, the LTV for Cat A will be 70%, 65% for Cat B and 60% for Cat C</b></p>		<p>Up to 5% deviation on norm Mitigated No income, Age, domicile and FI deviation.</p>	<p>L I S.H.</p>	
		<p>More Than 5% Deviation on norm Mitigated</p>	<p>L I P.H</p>	
		<p>No income, Age, domicile and FI deviation.</p>		
<p>Insurance deposit: Should be Collected for 100 % of the cases</p>	<p>Insurance deposit waiver</p>	<p>Deposit waiver Subject to Such Cases s not exceeding 10 % of Business done in a Branch for a month.</p>	<p>L I S.H.</p>	<p>All customer category</p>
<p>Market Reference: For new customers market reference to be obtained from two, one relative and the other a friend. (For purpose of rating parameter, reference should be market</p>		<p>No deviation</p>		<p>All customer category</p>

ferences, mpetitor/supplier, fleet operators etc.)				
credit rating: should be A or B	Credit rating of C	Mitigant: <ul style="list-style-type: none"> <li>LTV cannot be greater than 70%.</li> <li>FI positive and residence stability must.</li> </ul>		All customer category
<b>Area: (Residence)</b> Borrower or Co-Borrower should not be residing in a negative area.	Borrower/Co-Borrower resides in a "Negative Area"	Resi. is <b>owned</b> by B / G; Min. 3 years in current resi. (Salaried) Min. 4 years in current resi. (Others). Other FI parameters to be positive except for negative area  Mitigant: <ul style="list-style-type: none"> <li>No income and LTV deviations.</li> </ul>	LI	All customer category
<b>Area: (Business/office)</b> Business/office should not be located in a negative area.	Business/Office premises situated in a negative area	Salaried: Employer is from Category A list (or) Employer's office has been in the area <b>for &gt; 5 years; FI(Office) report is "+ve" except for "-ve Area"</b> Business: Office/BP has been in the area <b>for &gt; 5 years; FI(Office) report is "+ve" except for "-ve Area";</b> Tele-check at Office No. to be done by C.O. (+ve)	LI	All customer category
FI feedback to be (+ve) for both B / G and for both Resi. and Office/BP.	If either the residence or the office FI is negative.  If either borrower or Co-Borrower FI is negative.	If Residence FI (-ve) feedback is for standard of living; affordability etc. & Office FI is (+ve) – such proposal can be done with <u>10% Less from applicable LTV%;</u>  <u>Income &amp; Banking Proof not to be waived. Car ex. should clearly indicate the risks perceived in FI feedback and risk mitigants taken.</u>	LI	All customer category

		Where more than 1 (-ve) feedback is observed in a single proposal – no deviation would be entertained.		
RCU feedback to be positive	RCU is -ve or Fraud	Negative Fraud (with full justifications for the contrary)	LI PH	
Minimum loan ticket for new cars: Rs.100000 and for Used cars: Rs.50000	No deviation would be allowed to this.			All customer category
Cibil Report should be positive (no match or no overdues or no legal/writeoff or no 30+)	Cibil report shows – ve strings or overdues	Upto Rs 5000 overdue or not into 60+ or not into writeoff/suit filed or not into 30+ more than once a year Otherwise	LI PH	

**Document waivers:**

ITR/ Form 16: Latest 2 years required		At least 1 year Mitigant: <ul style="list-style-type: none"> <li>Business/Employment stability proof is shown.</li> <li>FOIR is less than 50% for salaried.</li> <li>Income is more than 2 times the EMI for business profiles.</li> </ul>	LI S.H.	Incom based fundi
Bank passbook / statement for latest 3 months to be given by B / G (a/c from which PDCs are to be issued)	PDC to be given from a New bank account	The B / G had another bank a/c which has since been closed; transaction in the latest 3 months are as per norms; old a/c has been in existence for > 1 year	LI	All cus cat
<b>P.D,C:</b> PDCs should be issued from the borrowers account	Bank a/c in Co Borrower's	<ul style="list-style-type: none"> <li>Co Borrower can issue PDCs where – B does not fulfill the Banking norms;</li> </ul>	LI	A cu ca

<p>and from the Bank for which Statements have been provided.</p>		<ul style="list-style-type: none"> <li>Guarantee is by the Firm or Company on behalf of Partner/Director or is by the Partner/Director on behalf of the Firm or Company or where an individual guarantees car taken in the name of the Sole Proprietorship or Vice versa.</li> </ul> <p>Mitigate:</p> <ul style="list-style-type: none"> <li>Co- borrower should have good credit rating.</li> <li>Income documents for the co-borrower must be collected.</li> </ul>		
<p>PDCs to be collected for the entire period of loan tenor</p>	<p>Part PDCs are collected covering at least 50% of net loan tenor (i.e. Total Tenor Less Adv. EMIs #)</p>	<p>This deviation can be approved subject to collection of Rs.1500 as "Part PDC Charges"</p>	<p>LI</p>	<p>All customer categories</p>
<p><b>Landline Bill:</b> Borrower/Co-Borrower to have telephone both at residence &amp; at Office/Business Premises</p>	<p>No landline in residence</p> <p>No land line in office. (where B/G operates his business from residence or runs a Sole proprietorship)</p>	<p>Landline to be at either residence or office</p>	<p>LI</p> <p>LI</p>	<p>All customer categories</p>
<p>Bulk filing of returns – 2 ITRs should not have been filed within the same month. The earlier years return should have been filed at</p>	<p>Bulk filing of returns for the latest 2 years</p>	<p>The return earlier to the latest 2 years should be filed within the due date and proof of same to be furnished</p> <p>The average taxable income</p>	<p>LI</p>	<p>All customer categories</p>



last 3 months from the date of applying loan.		in the latest 2 years should not be more than 50% of the earlier year.		
UV/Refinance: Loan amount as per norm based on valuation or IDV	Deviation: 5% additional loan amount sought	Subject to the asset model being "Less than 4 years old"; good FI feedback; financials & track record with IBL being good; & Asset being A or B Category	LI	All customer category
UV/Refinance: Maximum Loan tenor to be - Age of the car at end of tenor to be 8 years maximum	Deviation: Extension in loan tenor by a maximum of 6 months from the approved loan tenor	Subject to good FI feedback; financials & track record with IBL being good; <u>Loan amount to be restricted to 65% of {Value as per Valuer's Certificate or Standard Valuation for the model (whichever is lower)}</u>	LI	All customer category
UV/Refinance: No funding on cars having more than 2 previous registered owners	3 previous Regd. Owners – but asset condition is good i.e. Value as per Valuer > 1.2 times of the Standard Valuation for Make/Model	Subject to good FI feedback; financials & track record with IBL being good; <u>For Cat A models only</u>	LI	All customer category
UV/Refinance: No funding on cars having existing insurance cover only for TP/Act only i.e. Third Party Risks.	Comprehensive insurance cover <b>to be Taken</b> from the date of proposal for an IDV (i.e. Insured Declared Value) which is => {Value as per Valuer Cert. or Standard Valuation whichever is higher}} is taken	No deviation. Comprehensive Insurance to be taken		All customer category
UV/Refinance: Car originally registered as Taxi / Contract Carriage (under a permit) now being re-registered as "Private Car" and refinance is sought on the asset	No deviation would be allowed to this.	NAP	NAP	All customer category

V/Refinance: Cars should have good accident-free insu. Track record i.e. Insurance Policy to have Bonus% (not to have Malus%)	No deviation would be allowed to this.		NAP	All customer categories
Customer should have separate residence and office	Resicum office- Rented Resicum office-owned with proof- Not to be taken as deviation	Income proof for last 2 years compulsory	L1	

**Deviation Level Jump:**

In case of multiple deviations in a single proposal and some are approvable at L1/L2 then automatically the deviation level as per the Grid would be reckoned at L2 Where more than 3 deviations in a single proposal are observed, mandatorily the proposal will be referred to Corporate Credit Head for his approval, irrespective of the Deviation Levels indicated in the above Grid. As you may note, the above Deviation Grid lists down the possible deviations and does not represent an exhaustive list. Any deviations other than those specified above, will have to be recommended by State Head and approved by Credit Head/Product Head.

*Recovery Proces*

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# CHAPTER V

## RECOVERY PROCESS

### 5.1 RECOVERY METHODS

There are several methods to collect the dues from the customers. Some of the important methods are

1. Post Dated Cheques
2. Demand Draft
3. Cash Collection
4. Electronic Clearing System

Post Dated Cheques are collected from the customers at the time of documentation. In that they are completely filling up all the details like due amount, payee name, date of the cheque etc. Simply blank cheques are not collected from the customers. In some of the banks security cheques are collected from customers. Blank cheques are collected when they are collecting it for security purpose. In this methods Post Dated Cheques are not compulsory for all the customers. For example for their existing fleet operators they are not insisting for post dated cheques. For those customers they are collecting cash. Accepting part post dated cheques also from the customers. Demand draft collections are usually done for outstation customers. Trying to avoid out station cheques only to avoid delay in realization and out station charges. Cash collections are made for 40% of the customers. This is because most of the fleet operators are preferring only cash mode of payment. Most of the fleet operators are contract operators. There is a delay in getting the contract payments. When ever their contractual payments are released they are paying towards cash. Electronic clearing system is not implemented fully. They are following it up for only some customers.

## 5.2 RECOVERY BIFURCATION

Recovery is falling in the following categories.

1. Advance Contracts
2. One month Contracts
3. Two month Contracts
4. Three month contracts
5. Non Performing Asset 1
6. Non Performing Asset 2
7. Non Performing Asset 3

Advance contracts are nothing but contracts which are showing advance payments. We can say customers those who are paying their due amount well in advance and excess amount payable customers. One month contracts are nothing but current due pending contracts. That is contracts which lies after crossing their due dates in the current month. Two month contracts are nothing but one due pending contracts. That is one due is pending for these customers. Customers who all having pending dues are liable to pay additional finance charges to bank. Three month contracts are nothing but contracts which is showing two dues pending in addition to current month due.

Non Performing asset 1 is contracts which are lying more than 3 dues and less than 6 dues. That is 3-6 due pending cases are coming under this category. Non Performing asset 2 is contract which are lying more than 6 months and less than 12 dues. That is 6-12 dues pending cases are coming under this category.

Non performing asset 3 is contracts which are lying more than 12 month due. That is >12 month pending dues are coming under this category.

These collection categories are sometime called as one cket, two bucket etc., Preference of collection and pressure to customers those who are lying under Non performing assets. This does mean that no collection effort ill be taken against other category customers.

## 5.3 NPA RECOVERY PROCEDURE

Vehicles are repossessed immediately on overdues reaching three months. Repossession is carried out by Field officer, Branch In Charge or Agents only after taking the necessary legal safeguards. Cost associated with repossession are approved as per delegation of authority. The Branch In Charge scrutinizes the age wise analysis of overdues. If the overdues reach three months, BIC sends reminders for collection of overdues. If the overdues are not received from the customer within seven days of reminder being sent, BIC sends first demand notice through Registered Post Acknowledgement due.

It is pertinent to note that the right of repossession is vested with us by virtue of

- a) Condition no.9 of the terms and conditions of our Hire Purchase Agreement.
- b) Clause 9 of the IndusInd Bank Agreement
- c) Clause 17B (b) of our lease agreement
- d) Clause 4H of the user vehicle finance agreement

If no response is there from the customer within seven days. BIC sends second demand notice through Register Post Acknowledgement Due.

If still no response is received within seven days of second reminder, BIC sends final reminder through Registered Post Acknowledgement Due.

If no reply is received fro the final reminder within seven days, the decision to repossess the vehicle is taken with the approval of respective State Manager. In case the BIC decides not to repossess the vehicle despite overdues exceeding three months, necessary justification for the same shall be given to the State Manager by the BIC.

On approval from SM for repossession, the FO/BIC/agent repossess the vehicle with appropriate entries in the Repossessed vehicles Register maintained at the branch.

It is the responsibility of the SM, to authorize the employees of our company/ repossession agent to carry out the repossession. Such authorization is required to prove their bonafides before the customer/police/other authorities. Keeps a watch on the movement of the vehicle and its whereabouts.

### **Ascertains the following**

- 1) Party's behaviour
- 2) Local Influence
- 3) Character
- 4) Party's attitude

to decide when where and how the vehicle should be repossessed. Repossess the vehicle outside his local area, if the party is locally influential. Takes local police help, if available, if the party is trouble shooter.

Adequate care, precautions and co-ordination is necessary for the act of repossession of vehicles/goods to be a success. Repossession of the vehicle is done when it is not carrying any load. If inevitable, it is preferable not to repossess the vehicle when it is loaded with perishable good like fruits, vegetable, Egg etc., And when it loaded with hazardous, explosive, inflammable materials/chemicals.

Vehicle is repossessed as far as possible only during day time.

When the vehicle is loaded with materials, the FO/BIC follows the vehicle without the knowledge of the driver or else get to know the place where the good have to be unloaded, inform our office at the delivering/unloading locations suitably with the vehicle number and consignee details to the enable them to repossess the vehicle after unloading the materials.

Now a days for repossessing the vehicle court order under section 9 is required. This is after the order from supreme court that no agents should be used for repossession of vehicles on behalf of banks. If a customer voluntarily surrenders his vehicle then there is no need of any court order but surrender letter from the customer is a must with necessary witnesses.



## 5.4 BUSINESS VERSUS COLLECTION ANALYSIS

Below shown are disbursement details, Non Performing Assets Stock on Hire & IRR from the year 2006-2009.

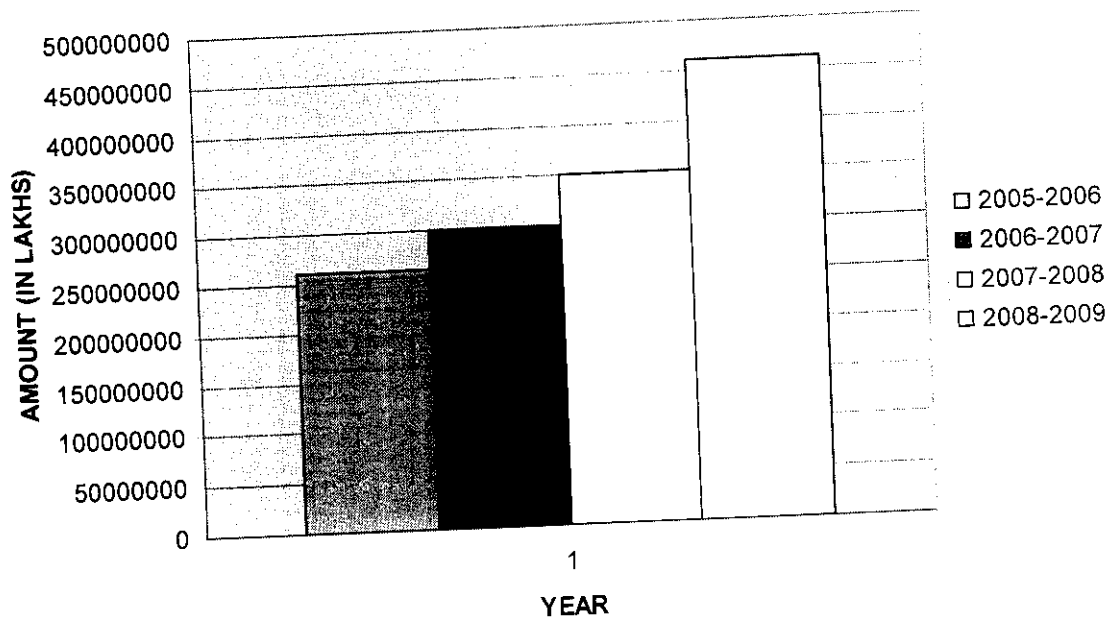
YEAR	AMOUNT	CURRENT DEMAND	NPA SOH	% OVER DISB	IRR
2005-06	260000000	290000000	5000000	0.02	11.75
2006-07	300000000	340000000	6500000	0.02	12.3
2007-08	350000000	375000000	7500000	0.02	12.8
2008-09	460000000	425000000	8000000	0.02	13.75

Below shown are bifurcation for the disbursement details from the year 2006-2009.

YEAR	2005-2006	2006-2007	2007-2008	2008-2009
MONTH				
APRIL	20000000	22500000	25000000	42500000
MAY	25000000	27500000	30000000	45000000
JUNE	22500000	25000000	27500000	50000000
JULY	22500000	24000000	28000000	55000000
AUGUST	27500000	30000000	36000000	67500000
SEPTEMBER	22500000	26100000	30000000	27500000
OCTOBER	20000000	21500000	29000000	27500000
NOVEMBER	22500000	23000000	32000000	27500000
DECEMBER	20000000	21000000	26000000	32500000
JANUARY	22500000	31300000	31000000	27500000
FEBRUARY	17500000	25700000	28000000	27500000
MARCH	17500000	22400000	27500000	30000000
<b>TOTAL</b>	<b>260000000</b>	<b>300000000</b>	<b>350000000</b>	<b>460000000</b>

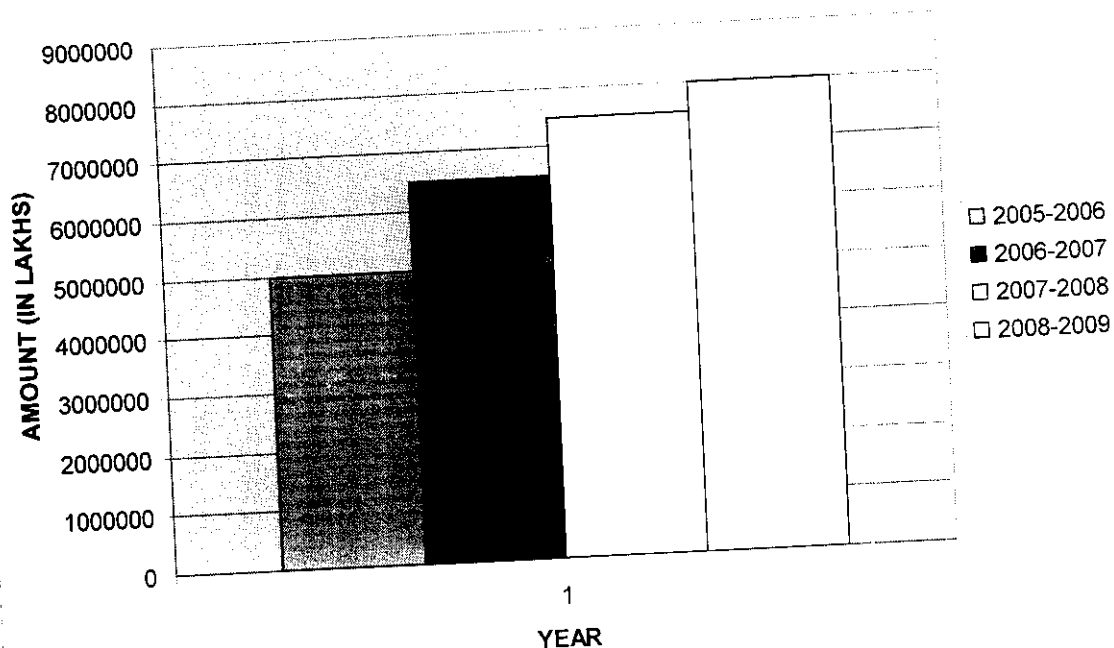
# DISBURSEMENT CHART FROM THE YEAR 2006-2009

## DISBURSEMENT CHART

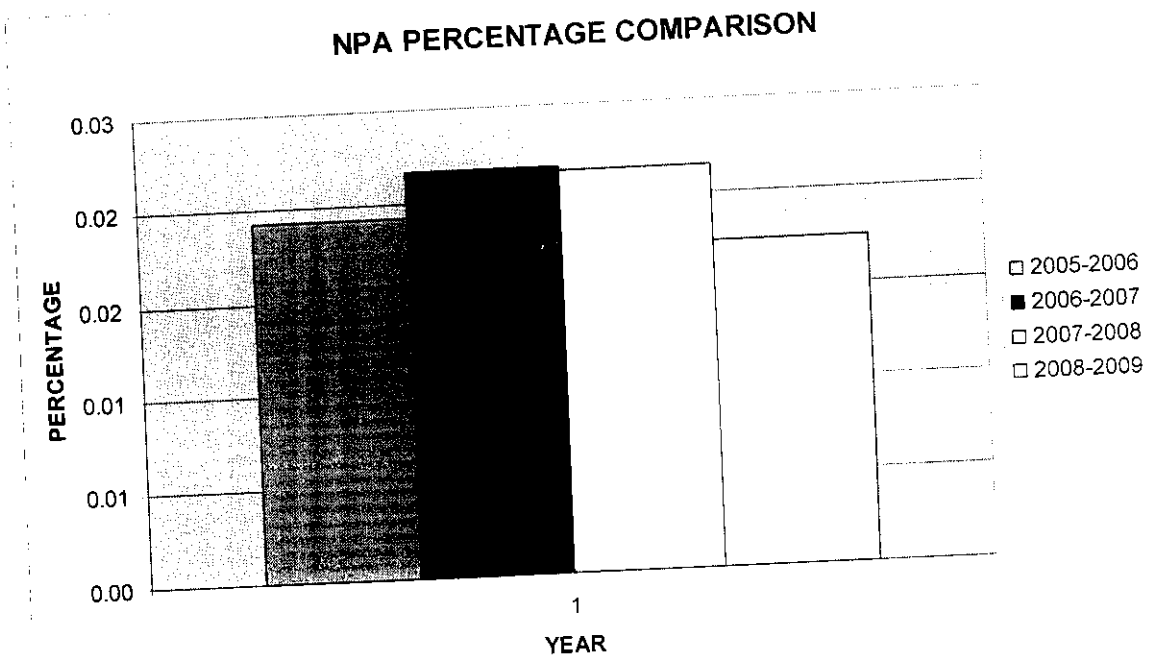


# NPA COMPARISON FROM THE YEAR 2006-2009

NPA COMPARISON



# NPA PERCENTAGE COMPARISON FROM THE YEAR 2006-2009



*Findings*

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# CHAPTER VI

## CONCLUSION

### 6.1 SUMMARY OF FINDINGS

- Loan to value for New vehicles as well as used vehicles fixed. This was very useful for the sanctioning authority to fix the quantum of finance very easily without any confusions to customers
- Segregated every vehicle in either category A or B or C
- Customer profile is chosen and depends upon their eligibility  
loan amount is fixed
- If loan amount is deviated it was pass on to the next higher level for necessary approval
- Loan to value for Earth moving vehicles fixed. Loans are not sanctioned for imported machineries due to customs & Tax problem
- For the last 10 Year model vehicles are funded. But in the Commercial vehicle category alone loans are fixed only from the year 2002. This is due to high depreciation in the vehicle segment

- Newly Launched vehicles are fixed only in the last category for six month of time. This is because to know their market value of the newly launched. Depends upon their moving in the market its grid value is fixed.
- Income proof, No Income Proof, Commercial Use, Used, Refinance vehicles limits are fixed
- Car Income proof own use customers if it belongs to CAT A then 85% quantum on ex show room price is fixed
- For repayment track customer own use cars quantum 80% is fixed
- For No Income Proof customers 70% quantum is fixed and for commercial use 75% quantum is fixed
- Quantum of financed is decreased by 5% for CAT B & CAT C Vehicles
- For Commercial, Light Commercial & Earth Moving Vehicles quantum is fixed on grid value
- Norms for sanctioning the loan is same for all the category
- Recovery was done through Post Dated Cheque, Cash, Demand Draft & ECS

- Recovery process is categorized into one month, two month, three month, NPA1,NPA2,NPA3
- Recovery concentration was more on NPA category
- Proper reminders and other legal formalities are completed before repossession
- Repossession of vehicles are done through proper channels and methods
- Necessary approvals are obtained from the approving authority
- Banks disbursement for all the products are increased year after year
- Banks Profit also increased year after year
- Disbursement is increased year after year and Non Performing Assets percentage also increased
- Since the Disbursement is increased massively year after year Non Performing Assets Percentage is slightly increased
- Over all Internal Rate of Return is increased year after year
- Even in the recession period the IRR shown increased this is because last year's yield was effected in the next year



*Suggestion*

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## 6.2 SUGGESTIONS

- Remodeling the credit assessment system is needed. Because most of the vehicles category was in B & C. So that there is a huge opportunity to increase the disbursement.
- Categorization of vehicles should be fixed separately for each and every area by the credit department. Since area to area there is a huge difference in resale value for all the vehicles.
- Increase in quantum of finance may reflect in recovery
- To reduce the risk we can introduce & Obtain
  - a) Additional Security from existing Hirers
  - b) Third Party Guarantor
  - c) Guarantor from the same office
  - d) Increase the interest rate
- Increase the quantum of finance to existing customer after getting the existing contract as collateral for the new contract. So that there is a possibility of avoiding the loss on sale.
- Original property document can be obtained as collateral for high quantum of finance.
- Newly launched vehicles also we can give high quantum only after necessary tip up with the manufacturer for by back scheme or subvention amount per vehicle.
- Fix subvention on a slab basis for newly launched vehicles so that loss will be avoided. That is repossession is taken place at the time of selling the vehicle we can adjust the loss with the subvention amount given by the manufacturer.

- Increase the rate of interest for the first time users even though existing customers are stands as a guarantor.
- Non Performing customers profile should be highlighted to the credit department so that implementation will be taken place in the credit also. Due to this we can avoid loss.
- Electronic Clearing System or Post Dated Cheques should be implemented fully for all the customers. So that unnecessary collection risk will be avoided.

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