FAIR PRACTICES CODE ON LENDER'S LIABILITY

Background:

The Fair Practices Code document codifies the procedures to ensure clarity, transparency, Timelines and responsiveness in Bank's relationship with the borrower customers at all stages like marketing, processing, sanctioning, monitoring and administration.

1. The guidelines were circulated in compliance with RBI/IBA guidelines.
2. Indian Bank's Association (IBA) vide its circular No CI/Cir/2015-16/2294 dt 16.03.2016 directed all the member banks to draw up the uniform Standard Covenants for borrowers that could bring about discipline in lending and facilitate improved monitoring of such loan accounts. Accordingly, to bring the uniformity in stipulating the terms and conditions by member banks, IBA advised a set of the Standard Covenants for adoption and implementation while sanctioning credit facility/ies. This set of the Standard Covenants was approved by the Board in its meeting held on 07.09.2016. Based on this, revised set of the standard covenants were issued to Branches for the credit limits over Rs 2 lakhs.

3. Board in its meeting dated 29.12.2017 had directed that standard terms and conditions of Large Corporate advances be streamlined and approved by Legal Department, Head Office. Accordingly, Legal Department vetted the same and incorporated certain additional terms and conditions. The list of covenants comprises of Mandatory **Covenants**, Mandatory **Negative Covenants** and **Others Terms and Covenants.** Mandatory covenants are to be included as an integral part of sanction proposal/ sanction letters for all their credit facilities and other terms as per the requirement of the proposal/ credit facilities. These standard covenants are the minimum and branches may consider additional stipulations, if felt necessary. The revised guidelines applicable for credit limits over Rs. 2 lakhs.

FAIR PRACTICES CODE ON LENDER'S LIABILITY – The policy guidelines

1. **To whom applicable :**

i. The guidelines are applicable to all borrowers irrespective of their loan size excepting the staff loans and advances to non-staff members against Bank's own term deposit receipts, shares and securities, Govt. and RBI Bonds, NSCs, RIBs, IVPs, KVPs and other paper securities.

ii. The guidelines are applicable to all types of customers of the Bank viz. Individuals, Joint Borrowers, Proprietary concerns, Partnership firms. Private and Public Ltd. Companies, Trusts and PSUs. The code applies to both fund based and non fund based limits of all the borrowers as mentioned above.

2. **Practices to be adopted :**

2.1 Loan Processing :-

2.1.1 As per guidelines, all prospective borrowers should be furnished general information about rates of interest, details of processing fees and other charges, penal rates, and any other information that affects the interests of the borrower to enable them make a reasonable comparison with the prevailing charges of other banks and take an informed decision. In the case of priority sector borrowers this would be as a part of the application form itself. Till the existing stock of applications lasts, these would be by way of an annexure. For borrowers from the C&IC category these would be furnished at the time of accepting the application.

2.1.2 The application form, prescribed for different categories of borrowers, should be acknowledged. The acknowledgement should indicate the time frame within which, after receipt of all required details, a decision on the request for loans/credit facilities will be conveyed.

2.1.3 The various rules/terms and conditions such as margin, security – primary as well as collateral, interest rates, service charges etc. should be discussed with the borrowers. Further, the queries arising out of due diligence exercise carried out on the project, at the time of processing the proposal, additional details/documents required, etc. should be intimated to the borrowers immediately, in any case not later than 10 working days from the date of receipt of applications.

3. Loan Assessment :-

i. The client should be eligible for the requested facilities from the bank, fulfilling the various norms applicable to the category to which the applicant belongs. For example, in retail banking, the applicant should fulfill eligibility norms like age, income, employment status, qualifications etc. stipulated under the scheme.
ii. The application should be assessed within a reasonable period of time frame. The time stipulations for considering credit requests are as under :- which is already in force. The details should be discussed with the clients wherever necessary and assessment of the needs be completed quickly. The proposals should normally be put up for sanction and sanction conveyed within the timeframe as per the guidelines issued by the Bank from time to time. Regarding consortium

finance, existing guidelines which are based on RBI directives, would continue to apply

Priority Sector

SSI Units		Agriculture and other Pr. Sector	
Upto Rs.25,000/-	15 days	Upto Rs.25,000/-	15 days
Upto Rs.5 lacs	4 weeks	Above Rs.25,000/-	8/9 weeks
Above Rs.5 lacs	8 weeks		

C&IC Sector

Fresh/additional request	45 days	45 days
Adhoc requests	15 days	20 days

iii.The application should be assessed objectively. For this purpose, Bank has laid down methods of arriving at the need based requirements of various sections of the borrowers covered in Manuals/Branch circulars/ Circular Letters/hand books on different subjects. The said, methods/procedures, as may be amended from time to time, shall be followed by the branches.

iv.While assessing the credit needs of the proponents/borrowers, stipulation of margin, security etc. should based on the guidelines governing the schemes/facilities as may be directed by the Board of Directors or such other authorities as may be approved by them and circulated to zones/Branches. The collateral security and the margin should be regarded only as an additional comfort for the lender and should not be the sole criteria for deciding a loan request.

v.Whether the application are rejected, the same should be conveyed in writing. The specific reason for rejection should be indicated in case of all advances including those upto Rs. 2lacs,. Depending upon the actual reason, but within the timeframe stipulated so that the applicant may be free to go to another institution to raise the loan.

4. Loan Disbursement :-

.i. After the decision of sanctioning loan is taken by the appropriate authority, a letter of sanction giving all terms, conditions and covenants, duly signed by the authorized signatory should be issued to all borrowers against his/her acknowledgement as a token of acceptance of the terms and conditions of sanction. For this purpose, "authorized signatory" of the bank means any official who is in-charge of the credit department at the Branch or the Branch Manager.

ii. The sanction letter should also clearly bring out, for the benefit of the customers, the guidelines of the Bank regarding the following which would be at the discretion of the Bank.

- allowing drawings beyond the sanctioned limits,

- honouring the cheques issued for purposes other than agreed to,
- allowing large cash withdrawals beyond specified limits,
- obligation to meet further requirements of the borrowers on account of growth in business etc. without proper revision and sanction in credit limits,
- allowing drawings on a borrowal account on its classification as a Non-performing Assets.
- allowing drawings on a borrowal account where there is Non- compliance with the terms of sanction, etc.

iii. Immediately upon compliance of all the terms and conditions of sanction without any exception and execution of relevant documents by the borrowers, the loans should be disbursed without any undue delay.

iv. Wherever the borrowers desire, copies of the documents executed by them may be provided to them against payment of appropriate charges, namely administrative charges of Rs.25/- for advances upto Rs.2 lacs, Rs.100/- for advances upto Rs.1 crore, Rs.200/- for advances above Rs..1 crore besides copying charge of Rs.1 per copy per page.

v. Wherever products like FEX derivatives swaps etc. are involved, customers may be advised to take informed decisions. The Bank would not accept any liability.

vi. Wherever a request for issuance of a 'No dues certificate' and/or transfer of a borrowal account is received, either from the borrower or from a bank which proposes to take over the account, the consent or otherwise i.e. objection of the bank, if any, should ordinarily be conveyed within 21 days from the date of receipt of request.

5. **Loan Administration:-**

i. The bank should keep the borrowers informed of the status of their accounts from time to time by furnishing statement of accounts.

ii. The bank should also give notice of any change in the terms and conditions including interest rates, service charges, etc. in good time (say 7 working days) either disclosing the same in the Bank's website and/or by giving a press notification. The bank should ensure that changes in interest rates are effected to the extent possible prospectively (unless otherwise specified in terms/conditions agreed with the borrower or as may be required by regulation/law).

iii. The bank should seek and obtain necessary information from the borrower clients for the purpose of monitoring the conduct of his/her account during the tenor of the facility; The bank would provide post disbursement supervision should also take care of any genuine difficulties/unplanned situation/exigency that the borrower may face.

The different time limits for submission of different information should be conveyed in the sanction letter itself.

iv. The bank reserves the right to enforce security for recovery of dues in case of default or non-adherence to terms of sanction subject to observing the normal procedures in this regard.

v. The bank would refrain from interfering in the affairs of the borrower except to the extent provided in the terms and conditions of sanction.

6. **Recall / Repayment of the loan :**

i. Any decision of the bank to recall the loan or accelerate the payment etc. should be communicated to the borrowers in proper time giving them 15 days time for repaying/accelerating Repayment of the loan. Only on the expiry of such period of notice, further steps should be initiated for recovery unless and otherwise warranted due to change of circumstances. The reasons for shortening this period of 15 days should be recorded by the branches.

ii. The branches should release securities on receiving repayment of loan and clearing their dues in full subject to any legitimate right of lien for any other claim Bank may have against the borrowers. Wherever such "other claims" are outstanding, borrowers should be given notice of the same with full particulars about the remaining claims and the fact that the bank is retaining the securities till the relevant claims are settled/paid.

7. **Grievance redressal Mechanism :**

We have already in place a procedure for grievance redressal which ensures that all disputes arising out of the decisions of a Bank's functionary are reviewed and disposed of at least at the next higher level. The Board also reviews such matters through periodical review reports. However, we are formulating a specific grievance redressal mechanism and we shall advise you about the details separately.

8. We also enclose a copy of a charter for borrowers (Annexure-I) incorporating above guidelines which may be made available to the borrowers and should also be prominently displayed in Branch premises.

9. For the purpose of convenience we enclose a chart giving the present position and the changes to be implemented as Annexure – 2. This also contains various proforma, a mention of which has been made in the preceding paragraphs.

10. **Conclusion:**

The fair practices code enumerated above is thus the summarized version of various guidelines already in vogue with improvements wherever necessary in lime with the directives of the Reserve Bank of India in this regard. This would ensure that the Bank acts in good faith and without negligence in its dealings with the borrower clients, and is hence summarized for the convenience of reference. The detailed operational guidelines, already in existence and as may be amended from time to time, detailed in the Manuals of Instructions as well as Head Office Circulars, would continue to govern the specific areas dealt with in this Memorandum. Since the Bank has adodpted the code and proposes to advice the borrower customers specific time limits and code of conduct, branches should take all necessary steps to implement these guidelines meticulously.

ACKNOWLEDGEMENT TO BE GIVEN FOR LOAN APPLICATION

From

To

Dear Sir,

This is to acknowledge that we have received a loan application dated - ____________ for purpose ____________________ on __________20

Please note that the loan application shall be processed within ___/___ weeks from the date of receipt of application provided all the details/particulars/documents required by the Bank are submitted in time as called for after receipt of your application. It may be noted that though the Bank shall take all efforts to adhere to the indicated time schedule stated herein, it shall not be liable for any delay caused due to reasons beyond its control.

Further the amount of process fee paid/ to be is Rs.______(within one week from the date of receipt of this letter) and 50% of the process fee shall be refunded to you in the event of your application not being considered favorably by the Bank.

Thanking you,

Yours Faithfully

( )

SANCTION LETTER

Ref. No. Date:

To

(Name & Address of borrower)

____

____

____

Dear Sir(s),

Sub: Sanction of credit facilities – New/Review/Additional
Fund Based :
Non Fund Based :
Internal rating :
Authority :

We invite reference to your letter dated _____ requesting for sanction of ________. We are pleased to offer you the credit facilities as per Annexure – I on the broad terms and conditions mentioned in Annexures – I and II of this letter. Notwithstanding anything to the contrary stated or suggested herein, the outstanding indebtedness, whether actual or contingent, under these facilities is subject to liquidation by you on first demand by us.

2 Any further changes/modifications/additions, in sanction terms will be advised to you separately. The Bank reserves the right to add, amend, alter, cancel and modify any of the terms and conditions stipulated herein, or from time to time with or without any prior notice. Further, the bank's general rules governing advances shall also apply. The company to abide by such terms and conditions as the bank may stipulate from time to time.

3. **This letter is issued in duplicate. Please return duplicate copy duly signed by an authorized signatory and guarantors in token of having accepted the terms and conditions.**

Thanking you,

Yours faithfully,

For BANK OF INDIA

AUTHORIZED SIGNATORY

Classification: Internal

I. Mandatory Covenants

1) The Borrower should maintain proper /adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without prior written notice to the Bank.

2) The Borrower should all submit to the Bank such financial statements as may be required by the Bank from time to time in addition to the set of such statements to be furnished by the Borrower to the Bank as on the date of publication of the Borrower's annual accounts.

3) In case of default in repayment of the loan / advances or in the payment of the interest thereon or any of the agreed instalments of the loan on due date(s) by the Borrower, the Bank and / or the RBI will have an unqualified right to disclose or publish the name of the Borrower and Guarantors name and/ or the name of the borrower / units and its/their promoters, directors/ partners / proprietors (as well as their photograph) as defaulters / Wilful defaulters in such manner and through such medium as the Bank or the RBI or such other agencies in their absolute discretion may think fit.

4) The Bank will have the right to share credit information related to the Borrower as deemed appropriate with Credit Information Companies (CICs), Information Utilities or any other institution as the Bank may deem fit from time to time.

5) The Borrower should not induct into its Board or as a partner in case of firm, a person whose name appears in the Wilful defaulters list of RBI /CICs. In case such a person is already on the Board of the borrowing company or partner of the firm, it would take expeditious steps for removal of that person from its Board/Firm. Nominee directors are excluded for this purpose.

6) In the event of default in repayment to the Bank or if cross default has occurred the Bank will have the right to appoint its nominee on the Board of Directors of the Borrower to look after its interests.

7) In stressed situation or restructuring of debt, the regulatory guidelines provide for conversion of debt to equity. The Bank shall have the right to convert loan to equity or other capital in accordance with the regulatory guidelines. The decision of the Bank in this regard shall be final and binding on the Borrower. The Borrower shall, if so directed by the Bank, convert such amount of the debt as decided by the Bank at its sole discretion into fully paid equity shares of the Borrower Company including for acquiring the majority shareholding in the Company. The shares as above shall be issued by the Borrower Company within the period stipulated by the Bank. Conversion of outstanding debt (principal as well as unpaid interest) and other amounts into equity shall be the fair value determined by the Bank in accordance with the guidelines of RBI and/or of the Bank and the same shall be binding on the Borrower.

8) Bank shall also be within its absolute right to divest its holding in the equity of the Borrower Company acquired as above as and when deemed fit by the Bank and the Borrowers shall ensure that on such divestment the Borrower shall effect the transfer of such shares in favour of the transferee/ new promoters, within the period stipulated by the Bank.

9) The Borrower shall obtain necessary approvals and authorizations (including by way of special resolution of the shareholders in the general meeting) from the Borrower Company and also those required under the extant laws/regulations, including for referring to JLF/CDR, to enable invocation of SDR etc.

10) While referring the matter to JLF/CDR and/or the Bank adopting the Strategic Debt Restructuring Scheme, the Borrower shall comply with whatever terms and conditions as may be stipulated by the Bank. The Borrower shall also at its own costs and expenses execute necessary Loan and Security documents and provide such other additional securities as may be stipulated by the Bank.

11) If at the request of the Borrower or otherwise, the Bank grants certain concession/s, it shall be for the period specified by the Bank or till the next review due date whichever is earlier. Borrower should note that granting/continuing the concession/s is at the sole discretion of the Bank and that the Bank may withdraw/discontinue the said concession/s at any time including during the permitted period. In the event the Borrower enjoys the said concession/s after the permitted period and Bank on Review or otherwise has decided to discontinue/withdraw the said concession/s with effect from a previous date, the Borrower shall forthwith refund/repay the said amounts and in any way within 2 days of Bank's demand, together with interest applicable to the credit facility, from the date of discontinuance of the said concession/s till repayment of said amount by the Borrower. Bank also shall be within its rights to recover the said amounts by debit to the Borrowal account or any other account of the Borrower with any Branch of the Bank, without further notice to Borrower

12) The Guarantee/LC commission/charges are presently decided/fixed by the Bank linking with external ratings of short term facilities accorded by Credit Rating Agencies accredited by RBI viz. CRISIL, ICRA, CARE, India Ratings and Brickwork Ratings, ACUITE Ratings and/or by such agencies as may be decided by the Bank from time to time. Borrower shall get the ratings done by the said agencies at its cost from time to time as may be required by the Bank. As and when the rating is revised, the charges/commission etc. for the BGs/LCs are required to be aligned with revised rating and accordingly it is stipulated as under:

a) In case of LCs already opened, it will carry the commission/charges applicable as per the external rating of the account at the time of opening of LC. However revised charges/commission due to revision in rating will be applicable for LCs opened after receipt of revised rating. In case of Capex LCs, the Borrower shall pay the revised charges/commission from the date of revision in rating.

b) BGs issued upto one year (including claim period) will carry the commission/charges as applicable at the time of issuance of BGs irrespective of revision in rating during the year. However in respect of BGs issued for a period beyond 1 year (including claim period), revised commission/charges shall be payable by the Borrower from subsequent quarter of receipt of revised external credit rating.

c) The commission/charges for the LC/BG and/or the mode of fixing the commission/charges shall be at the sole discretion of the Bank and the Borrower shall be bound by the same. Bank shall be within its right to recover the said amounts by debit to the Borrowal account and/ any other account of the Borrower with any Branch of the Bank, without further notice to the Borrower.

13. Borrower should be aware that consequent to amendment to Section 28 of the Indian Contract Act 1882, every BG should provide for a claim period of not less than 1 year, to ensure that the BG is not hit by the provisions of s.28 of contract act. Providing a claim period of less than 1 year in BG will make the BG open ended thereby Beneficiary deriving the right to enforce the BG within the normal limitation period ie 3 years in case of private persons and 30 years in case of government departments. This will require the Bank to keep live the BG liability for 3 years and 30 years in cases of private and government Beneficiaries respectively in cases where the BG is not returned duly cancelled/discharged by the Beneficiary. Resultantly the liability of the Borrower to the Bank shall also not be extinguished till the expiry of the aforesaid period (depending on the Beneficiary) and a period of 3 years thereafter. If the Bank issue BG with claim period of less than 1 year, it shall be at the sole risks and consequences of Borrower and the Borrower shall compensate or otherwise make good the loss/liability whatsoever incurred by the Bank in connection with and consequent upon the Bank issuing Bank Guarantee with claim period of less than 1 year.

14. Borrower should note that by issuing the BG as above, Bank may have to honour the demand under the said BG even if the demand is served on the Bank after the claim period stated in the BG. Borrower agrees that Bank if at its sole discretion decides to honour such claim, such decision shall be deemed to be authorized by the Borrower without any further act or deed. Without prejudice to the right of the Bank to make such payment by debiting the Borrower's account/s and/or appropriating the margin/security, the Borrower shall fund the amounts required for such payment within 24 hrs of demand being made by the Bank.

15. Borrower should also note that the Bank shall not be bound to and the Borrower shall not ask for return of the margin and/or the security kept for such BGs till the BGs is returned duly cancelled by the Beneficiary. If the BG is issued with a lesser cash margin, the Borrower shall also if so required by the Bank provide 100% cash margin/security for such BG which is not returned by the Beneficiary duly cancelled.

16. Notwithstanding anything contained in any loan/security documents and/or any writing to the contrary, the Bank shall not be obliged to grant or continue the credit facilities except that it shall in its absolute discretion consider fit and Bank shall always be at liberty and at its sole discretion to cancel all or any part of the said credit limits, without prior notice or assigning any reason whatsoever to the Borrower in the event of a) the said credit limits are not utilised by the Borrower and/or b) deterioration of the loan account or diminution in the value or title of the securities and/or c) non-compliance of the terms and conditions of sanction. Borrower shall not be entitled to claim any compensation, damages or otherwise from the Bank on exercising the said right.

17. Borrower should note that the Bank had formulated a policy on Responsible Financing in the lines of National Voluntary guidelines for Responsible Financing and the Borrower had also given an undertaking/confirmation while applying for the loan that the Borrower had gone through the said Policy including the 8 ESG Principles i.e. Environment Social and Governance principles which are covered under the said policy and that the Borrower shall do the business and other activities in compliance with the said Policy and that none of the Borrower's business or activities are in violation of any of the principles/terms as contained in the said Policy. Bank had agreed to grant of credit facilities and/or continue the credit facilities on the Borrower's aforesaid representation and agreement and in the event of any violation, Bank shall be within its right to take necessary action against the Borrower including recalling the credit facilities/refusing to grant credit facilities. Borrower shall also submit to the Bank from time to time such information, statements and data in connection with the above, without need for any further request from the Bank and those as may be demanded by the Bank from time to time.

18. Bank will have the right to examine at all times the Borrower's books of accounts and to have the Borrower's factories/offices inspected, from time to time, by officer(s) of the Bank and / or qualified auditors and / or by technical experts and or management consultants of the Bank's choice. Cost of such inspection shall be borne by the Borrower.

19. After provision for tax and other statutory liabilities, unless expressly permitted otherwise, the Bank will have a first right on the profits of the Borrower for repayment of amounts due to the Bank.

20. The Borrower shall keep the Bank informed of the happening of any event likely to have a substantial effect on their profit or business including for instance, if, the monthly production or sales are substantially less than what had been indicated, the Borrower shall immediately inform the Bank with explanations and the remedial steps taken and / or proposed to be taken.

21. Borrowers shall not effect any change in the Borrower's capital structure where the shareholding of the existing promoter(s) gets diluted below current level or 51% of

the controlling stake (whichever is lower), without prior permission of the Bank for which 60 days' prior notice shall be required. In case of limited liability partnerships and partnership firms "Promoters" would mean managing partners for the purposes of this covenant.

22. The Borrower will utilize the funds only for the purpose they have been lent and shall not divert or siphon off the funds. Any deviation will be dealt with as per RBI/Banks' guidelines.

23. Promoter's share in the Borrowing entity should not be pledged to any Bank / NBFC/ Institution/others without the consent of the Bank/lender.

24. For Term Loan (> Rs.50 crores) – Covenants [in relation to certain (say three) agreed parameters] are to be stipulated for all term loans and these are required to be tested annually on the basis of Audited Balance Sheet (ABS). Penal interest will be charged in case of breach of (any or as mutually agreed between the Bank and the Borrower) of the parameters vis-à-vis values as approved. Penal interest will apply from the day after the date of ABS, and shall continue till the breach is cured.

25. Further, breach of any financial covenant may at the Bank's option be considered as an Event of Default.

26. Each of the following events will attract penal interest / charges as applicable, at rates circulated from time to time, over and above the normal interest applicable in the account :

    a) For the period of overdue interest / instalment in respect of Term Loans and over-drawings above the drawing power / limit in Fund Based Working Capital accounts on account of interest / devolvement of Letters of Credit / Bank Guarantee, insufficient stocks and receivables, etc.

    b) Delay in submission of stock statements defined as number of days as per bank specific Policy.

    c) Non-submission of Audited Balance Sheet within 8 months of closure of financial year.

    d) Non-submission / delayed submission of FFRs, wherever stipulated, within due date.

    e) Non-submission of review / renewal data at least one month prior to due date.

    f) Non-obtention of External credit risk rating from agency approved by RBI.

27. The Borrower shall keep the Bank advised of any circumstance adversely affecting the financial position of subsidiaries / group companies or companies in which it has invested, including any action taken by any creditor against the said companies legally or otherwise.

28. The Borrower shall deal with our bank / banks under consortium / multiple banking arrangements exclusively, shall not open current account/s with any other bank without our prior permission. The Borrower's entire business relating to their activity including deposit, remittances, bills / cheque purchase, non-fund based

transactions including LCs and BGs, Forex transaction, merchant banking, any interest rate or currency hedging business etc. should be restricted only to the financing banks under consortium / multiple banking arrangements.

29. Fund Based Limits both in Working Capital and Term Loan wherever stipulated by the Bank, should be regulated through an Escrow Mechanism as agreed among banks to avoid any kind of diversion of funds.

30. The Bank shall have the right to assign/securitise the loan with or without the underlying assets charged and any such assignment/securitization, shall be binding on the Borrower and the guarantor(s).

31. Borrower shall strictly comply with the Bank's Policy on Responsible Financing. In the event of failure to comply with the said policy or any action/activities of Borrower is in violation of the same, the Bank shall be at liberty to re-call the credit facilities / refuse to grant credit facilities.

II. Mandatory Negative Covenants

1. Without prior consent of the Bank, the Borrower **shall not** during the continuance of the credit facility granted:

i) Formulate any scheme of amalgamation or reconstruction.

ii) Undertake any new project, implement any scheme of expansion / diversification or capital expenditure or acquired fixed assets (except normal replacements indicated in funds flow statement submitted to and approved by the bank) if such investment results into breach of financial covenants or diversion of working capital funds to financing of long-term assets.

iii) Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies); normal trade credit or security deposits in the ordinary course of business or advances to employees can, however, be extended. Such investment should not result in breach of financial covenants relating to the credit facilities sanctioned including TOL/ Adjusted TNW and current ratio agreed upon at the time of sanction.

iv) Enter into borrowing arrangement either secured or unsecured with any other bank financial institution, company or otherwise or accept deposits which increases indebtedness beyond permitted limits, stipulated by the Bank from time to time. .

v) Undertake any guarantee, SBLC or letter of comfort in the nature of guarantee on behalf of any other company (including group companies).

vi) Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that such distribution may be permitted only if no event of default / breach in financial covenant is subsisting in any repayment obligations to the Bank.

vii) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any other financial institution, bank, company, firm or persons.

viii) Sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the Bank. However, fixed assets to the extent of 5% of Gross Block may be sold in any financial year provided such sale does not dilute FACR below minimum stipulated level. (Not applicable for unsecured loans).

ix) Enter into any contractual obligation of a long term nature or which, in the reasonable assessment of the Bank, is detrimental to lender's interest, viz. acquisition beyond the capability of borrower as determined by the present scale of operations or tangible net worth of the borrower/ net means of promoters etc. leveraged buyout etc.

x) Change the practice with regard to remuneration of Directors by means of ordinary, remuneration or commission, scale of sitting fees etc. except where mandated by any legal or regulatory provisions.

xi) Undertake any trading activity other than the sale of products arising out of its own manufacturing operations. (Not applicable in case finance is for trading activity only).

xii) Permit any transfer of the controlling interest or make any drastic change in the management set-up including resignation of promoter directors.

xiii) Repay monies brought in by the Promoters/ Directors / Principal Shareholders and their friends and relatives by way of deposits / loans /advances before repaying the entire dues to the Bank. Further, the rate of interest, if any, payable on such deposits/ loans / advances should be lower than the rate of interest charged by the Bank on its term loan and payment of such interest will be subject to regular repayment of instalments to term loans granted / deferred payment guarantees executed by the Bank or other repayment obligations, if any, due from the borrower to the Bank.

xiv) Pay any commission or fees to the guarantor/s for guaranteeing the credit facilities sanctioned by the Bank to the borrowers.

xv) Approach capital market for mobilizing additional resources either in the form of debt or equity.

2. If the Bank turns down the borrower's request for terms under i) to xv) mentioned above but the later still goes ahead, the Bank shall have the right to call up the facilities sanctioned.

III. Other terms, conditions & covenants, etc. applicable to the sanctioned facility(ies) :-

1. Without prejudice to the demand nature of the advance(s), the/these credit facility(ies) will remain in force for a period of one year and is/are subject to annual review. Next review will fall due on or before __________________.

2. All the sanctioned/enhanced credit limits are to be utilised within a period of 6 months from the date of sanction (i.e. before ___________) failing which these facilities will lapse and any revalidation of the same will be considered at the sole discretion of the Bank.

3. The Borrower/Company/firm to execute necessary security documents/renewal documents for sanctioned/enhanced limit(s) duly supported by Board resolution and wherever applicable with necessary approvals from its General meeting and create and register the charges with the authorities specified for the purpose within stipulated time limit before release of sanctioned/enhanced limits.

4. Borrower/Company/firm to have title deeds of the immovable assets released from Term Lenders and re-deposit the same at BOI, ___________ as an agent and custodian of First Charge and Second Charge holders.

5. Where Borrower/Company/firm agrees to give second charge favouring the Bank, it has to complete the process as mentioned in serial "_________" above and create second charge on block of fixed assets within a period of _______ months (to be as per terms of sanction) to secure the last enhanced limits and the present enhanced limits alongwith loan of Rs.___________ sanctioned by us outside the consortium.

6. Guarantor(s): All fund based and non fund based facilities to be guaranteed (Joint & Several guarantee) by Mr./M/s. ___________ _____________ ______ ______ _____ ________ _________ _________ ___________.

7. The release of credit facilities is subject to vetting of loan and security documents by the banks approved advocate and bank's internal procedure of Credit Process Audit. The charges for vetting of the documents by the Bank's advocate, the fees for the Title search report etc. are payable by firm/Company/Borrower.

8. Stock/book debt statements are to be submitted by 10th (or the date stipulated in sanction) of the succeeding month along with monthly select operational data (MSOD) in bank's prescribed formats. Valuation of stocks to be done at cost/invoice/market price, whichever is lower. If these statements are not submitted for a continuous period of 3 months, Bank may initiate further action as deemed necessary by the Bank.

9. The drawing power in the accounts would be arrived at after deducting the unpaid creditors, outstanding balance, if any, in the accepted DA L/C account. In the case of book debts no drawings would be allowed against book debts on sister concerns, unless specifically agreed to by the bank, and also those which are more than 90 days old. Drawings would be allowed based on the QIS returns subject to the availability of drawing powers as mentioned above.

10. Packing Credit will be allowed only against /LCs opened by acceptable banks and confirmed export orders from approved parties and will be extended for periods not beyond the last shipment date.

11. Bank will obtain status report on drawees before purchase/discount of the bills and such reports will be updated annually; availability of a satisfactory status report shall be a pre-requisite for such purchase/ discount of bills.

12. The Borrower to display bank's hypothecation plate/board at its Unit/business premises indicating that stocks/assets are hypothecated to the Bank.

13. All the assets charged/to be charged to the Bank to be kept fully insured at all times against all risks (FRSD, Burglary, comprehensive risks etc.) and original Insurance cover note /policy in the name of the Bank a/c borrower firm/Company with Bank's Hypothecation clause to be lodged with the Bank.

14. The Borrower shall submit all bills/receipts etc. as applicable to project expenditure. A certificate from bank's approved C.A/Architect/valuer towards expenses incurred on 9project/progress in implementation of project. Any escalation in the project cost to be met by the Borrower/promoters/company/firm from their own sources.

15. The Company/firm to submit copy of statutory permissions/clearances like 'NOC' from Pollution Control Board and ensure for timely renewal of same from time to time.

16. Borrower should importantly note that it shall be the sole duty / responsibility of the Borrower to ensure that all Tax (Central & State), levies and other statutory dues and payments are paid/ cleared from time to time, and in the event of any restraint orders, request for payment etc. received, the Bank shall be within its right to stop further debit transactions in the account. In such cases, it shall be the sole responsibility of the Borrowers to ensure that such orders are vacated immediately to enable the Bank to consider further operations in the account. No claim shall lie on the Bank in this regard.

17. Borrower should importantly note that Bank shall also be within its right to stop debit transactions in the account if conflicting instructions are given by partners / members of the Borrower company /firm

18. Pre shipment and post shipment limits to be secured by WTPCG & WTPSG Schemes of ECGC, with the option to the Bank for obtaining comprehensive ECGC coverage depending upon the risk prevailing in the country where export is being made. Premium payable to ECGC by the Bank in respect of WTPCG policy is to be borne by firm/Company.

19. Loan amount of Rs.________is repayable in __________monthly/quarterly/ half yearly instalments of Rs._______ each commencing from __ months after first date of disbursement. Prepayments will attract additional charges @__________(As per terms of sanction). If the account continues to be overdrawn for a period of 90 days, the bank may consider initiation of other action also as deemed fit by the bank.

20. Any default in complying with terms of sanction within the stipulated time will attract penal interest of 1% p.a. over and above the applicable interest from the date of expiry of such time.

21. Lead Bank/processing charges of Rs._______ will be levied annually. Earmarking charges of Rs._______p.a. per account for Earmark Limit of Rs._______ at _________branch, Documentation charges of Rs.________ and inspection charges @ Rs._______ per inspection are payable. Out of pocket expenses incurred towards title verification and valuation of property/assets, inspections, techno-economic appraisal of the project/unit, legal audit etc. will be payable separately by the Borrower and the Bank shall be within its right to recover the same by debit to the Borrower's account .

22. **Commitment charges:** Commitment charges will be levied on quarterly basis with tolerance level of 30% of quarterly operating limit / drawing limit at the following rates:

Level of utilisation	Commitment Charges
Less than 60%	0.40% p.a.
60% and above	Nil

Commitment charges shall be levied on per annum basis and recovery shall be made on quarterly basis as per rates given hereinabove.

23. The Borrower shall submit QIS I, II & III returns. QIS I (showing estimates) is required to be submitted in the week preceding the commencement of the quarter to which it relates, QIS II (showing performance) within six weeks from the close of the quarter to which the statement relates and QIS III (half yearly operating statement) within two months from the close of the half-year.

24. CMA data to be submitted at least one month before the due date of review.

25. The company/firm to ensure submission of statement of Assets & Liabilities in Bank's format CBD – 23 (duly certified by a C.A.) along with copies of Income Tax and Wealth Tax returns/assessment orders of all the partners and guarantors every year.

26 The Borrower shall submit to the Bank:

a) audited financial statements of the firm/company within 8 months from closure of financial year.

b) Promptly all information (along with comments/explanation) about all material and adverse changes in your project/business, ownership, management, liquidity, financial position etc.

Borrower shall ensure that any liabilities or obligations under the facilities shall not, at any time, rank postponed in point and security to any other obligation or liabilities to other lending institutions or banks or creditors, unless expressly agreed or permitted by the Bank in writing.

27 Borrower shall declare the relationship, if any, of the directors of the company with the directors of the Bank and senior officers of the Bank.