

**Rules governing sanction of Loan Products under Non Farm Sector**

**Cash Credit to Traders**

<b>S. No</b>	<b>Feature</b>	<b>Scheme</b>
1	Purpose	To meet the working capital needs of the Traders
2	Applicants	1. Wholesale/Retail Trader/Businessmen having a certificate of Registration under the AP General Sales Tax. 2. Applicant can be a sole Proprietor or a partnership concern
3	Max. Loan Limit	R. 50,00,000/- 1. Limit will be assessed based on the last three years sales turnover as reported in the State Govt sales tax assessment orders & projections for the next two years 2. The drawing power shall be 60% of the Hypothecated/75% of the pledged stock value and should not exceed the cash credit outstanding at any point of time.
4	Eligibility Criteria	1. Applicant must be C A/c holder & B class member. 2. Any trading or business activity approved under the APGST Act will be eligible for Working Capital Assistance 3. The business or trading activity of the applicant should be in the area of operation of the Bank Branch
5	Security	Primary Hypothecation / Pledge of stocks, the valuation of which will be done on the basis of cost or purchase price excluding un-saleable stocks  Collateral 75% of the loan amount [80 % SRA value of Agrl. land / urban site & 60% of the urban Building valued by the Bank Engineer]  OR  NSC duly noted lien by the Post Master/Paid up value of LIC Policy duly assigned in the name of the Bank
6	Verification of Primary Security	1. The Branch Manager & Supervisor should verify the addresses of the borrower & guarantors and to that extent a verification report is to be filled in the application

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	Verification of Primary Security (Contd...)	<p>2. Branch Manager should consider and file the opinions with regard to the honesty, integrity and credit worthiness of the borrower before considering the loan application</p> <p>3. The Branch Manager should verify the invoice issued by the dealer with APGST/CST</p> <p>4. The Branch Manager should submit a report after physical verification of the stock by visiting the godown / shop where the stock is placed which is offered as security before submitting the loan application for sanction</p>								
7	Period of Limit	1 year [ to be renewed every year]								
8	Renewal	<p>1. Renewal of this CC limit for subsequent years shall be based on the satisfactory performance/ operations in the cash credit account during the previous year.</p> <p>2. Renewal application to be obtained before the expiry of validity period processed and decision to be taken in time to ensure continuity in operations i.e., atleast one month before</p>								
9	Rate of Interest	<p>1. 15% p.a will be charged on monthly compounding basis</p> <p>2. Outstanding in the unrenewed cash credit will be considered as overdue and penal interest @ 2% shall be charged on such amount till renewal/closure of the account</p> <p>Note: Interest Rates may be revised from time to time by ALCO</p>								
10	Field Inspection	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: center;"><u>Quantum of Loan</u></th> <th style="text-align: center;"><u>Field Inspecting Authority</u></th> </tr> </thead> <tbody> <tr> <td>Up to R10,00,000/-</td> <td>BM along with Branch Supervisor</td> </tr> <tr> <td>R10,00,001 to R30,00,000</td> <td>Nodal Officer along with Branch Supervisor</td> </tr> <tr> <td>AboveR 30,00,000/-</td> <td>Concerned GM along with Branch Supervisor</td> </tr> </tbody> </table>	<u>Quantum of Loan</u>	<u>Field Inspecting Authority</u>	Up to R10,00,000/-	BM along with Branch Supervisor	R10,00,001 to R30,00,000	Nodal Officer along with Branch Supervisor	AboveR 30,00,000/-	Concerned GM along with Branch Supervisor
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11	Legal Opinion	The Bank will obtain the opinion on the title of the property offered as security from the Legal Counsel /Panel Advocate of the Bank								

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12	Insurance	<ol style="list-style-type: none"> <li>1. The Borrower(trader) should arrange for insurance cover for the stock in trade, stocks in his shop/godown against the risks of fire, theft etc., in the joint names of Bank &amp; Trading concern with Bank's clause as long as the loan outstanding exists.</li> <li>2. The Bank's name stating that the stocks are hypothecated/pledged should be prominently displayed in the shop/godown by the trader</li> </ol>
13	Share Capital	3% of the loan amount subject to maximum of R 20,000/-shall be collected as share capital before disbursement of loan amount
14	Processing Fees	0.5% of the loan amount subject to maximum of R 7500/-at the time of 1 <sup>st</sup> sanction only
15	Mode of Disbursement	<p>Withdrawals in the account shall be allowed as per the Drawing Power worked out based on the stock position with in the limit sanctioned</p> <p>For assessing working capital requirements of the traders, the Branch Manager should estimate the minimum value of the stocks which the trader should for affecting his sales uninterruptedly. This can be arrived by considering the following information called for in the application</p> <ol style="list-style-type: none"> <li>1. Estimated monthly sales including credit sales</li> <li>2. Periodicity of purchase of goods including credit purchases</li> <li>3. Daily cash receipts</li> </ol> <p>The limit should be fixed at a maximum of 20% of average sales of 2 previous years</p>
16	Margin on Advances	The cash credit accommodation shall be 75% in respect of advances against pledge of goods and 60% in respect of advances against hypothecation of goods

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17	Documentation	<ol style="list-style-type: none"> <li>1. Duly filled in prescribed Application Form[along with 3Photos]</li> <li>2. Original Documents of the Site /Agrl. land</li> <li>3. Pass Book &amp;Title Deed in case of Agrl. land</li> <li>4. Link Documents for the past 13 years</li> <li>5. E.C. showing the entries for the past 13years</li> <li>6. Approved Bldg Plan by the concerned Authorities along with proceedings</li> <li>7. House Site/Agrl. land CARD Valuation by SRA</li> <li>8. Valuation of the Bldg by the Bank Engineer to be offered as security</li> <li>9. Latest Property &amp; Water Tax Receipt in original</li> <li>10. Identity Proof [Aadhar Card, Passport, VoterID, Driving License, PAN Card etc.,]</li> <li>11. Residence Proof [Aadhar Card, Voter Card, Ration Card etc.,]</li> <li>12. G-Tree Certificate issued by Concerned Authorities</li> <li>13. A copy of Registration Certificate issued by Registrar of Firms</li> <li>14. A copy of lease deed for the current period if the shop is in the rented building</li> <li>15. Registration Certificates issued by the APGST [Copy]</li> <li>16. Any other certificates of Registrations/Permissions[ Copy]</li> <li>17. Income Tax Assessment with Audited Financial Statements for last 3 years if any</li> <li>18. Sole Proprietary Declaration/Partnership deed [Copy]</li> <li>19. Latest Balance Sheet &amp; P/L Account as certified by the Chartered Accountants</li> <li>20. Broad classification of stocks that are proposed to be hypothecated or pledged</li> <li>21. Stock verification Report of the Branch Manager in the format <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Month</u></td> <td style="text-align: center;"><u>Opening</u></td> <td style="text-align: center;"><u>Purchases</u></td> <td style="text-align: center;"><u>Sales</u></td> <td style="text-align: center;"><u>Closing</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>Stocks</u></td> <td></td> <td></td> <td style="text-align: center;"><u>Stocks</u></td> </tr> </table> </li> </ol>	<u>Month</u>	<u>Opening</u>	<u>Purchases</u>	<u>Sales</u>	<u>Closing</u>		<u>Stocks</u>			<u>Stocks</u>
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18	Post Sanction Documentation	<p>The following documents are to be obtained by the Branch Manager from the applicant prior to release of sanctioned loan amount</p> <ol style="list-style-type: none"> <li>1. Loan Agreement</li> <li>2. Demand Promissory Note</li> <li>3. Mortgage Deed</li> <li>4. EC having entry of mortgage in favour of Bank</li> <li>5. Pledge Agreement</li> <li>6. Delivery Letter { for Pledge}</li> <li>7. Hypothecation Deed</li> <li>8. Schedule of the Property [to be issued to the Borrower by BM]</li> <li>9. Letter of Lien [if necessary]</li> <li>10. Letter of acceptance of terms &amp; conditions</li> <li>11. Any other document / requirement as specified in Loan Sanction Order</li> </ol>
19	Monitoring of Stocks	<ol style="list-style-type: none"> <li>1. The borrower shall furnish the stock statement in the prescribed format to the Branch on or before 5<sup>th</sup> of the following month. If not, operations in the account will be stopped.</li> <li>2. On receipt of the stock statement, the value of available stocks in the shop/ godown at cost price or market price whichever is lesser to be assessed. Out of which the prescribed margin to be reduced and the drawing power should be restricted 60% of the stock value. This drawing power should be communicated to the borrower.</li> <li>3. Care should be taken to ensure that stock purchased on credit basis is not included in stock statement.</li> <li>4. At no point of time, the outstanding in cash credit account should exceed the drawing power or the limit sanctioned which ever is less.</li> <li>5. The books of accounts of the firm are to be verified by the Branch Manager during the stock verification process, which is to be done periodically.</li> </ol>
20	Pledge Limit	<p>In case the limits are sanctioned against pledging of stocks the stocks should be in the joint custody of the borrower and the Bank. Stocks will be released by the Bank to the extent of remittances made in the account</p>