



The Karad Urban Co-Operative Bank Ltd., Karad

(Scheduled Bank)

Head Office: 516/2, Shaniwar Peth, Karad - 415 110.

Vigilance & Risk Management Department



CREDIT RATING POLICY F.Y. 2024-2025

Credit Rating-Asset Quality Determination and Procedure (F.Y.2024-2025)

➤ Preamble:

Credit Rating is an evaluation of the creditworthiness of a borrower to fulfil his financial commitments or repayment of debts and other financial obligations. The borrower can be an individual, Partnership, Company, LLP. The Individual borrowers have credit scores while business entities get a credit rating. Considering the risk associated with the new acquisition of customer and offering competitive interest rate to the existing borrowers, bank has to revise its Credit rating policy / Credit rating norms for the FY 2024-2025 as below.

➤ Review of FY 2023-2024 Policy:

There was total 369 business loan accounts eligible for Credit Rating for the FY 2024-2025, out of which 279 loan accounts were in the Grade of B & above and 90 loan accounts were in Grade C. The total Credit Rating activity completed during the year for 369 loan accounts & percentage of completion was 100%.

Details of Grade-wise Credit Rating activity completed up to March 31, 2024 were as follows:

(Rs.in lakh)

Grade	No. of A/c's	Sanctioned Limit	Outstanding Balance
A+	17	8284.00	3252.28
A	198	30040.75	20208.89
B+	44	6542.50	3606.31
B	20	4242.00	2119.20
C	90	15380.50	10850.25
Total:	369	64489.75	40036.93



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➤ Changes in the Eligibility Criteria for Credit Rating Concession & Conditions of Credit Rating:

1) Eligibility Criteria for Credit Rating Concession:

- a) The Credit Rating concept is applicable only for business purpose loan accounts having sanctioned limit of Rs.50.00 lakhs & above for existing & New borrower. If single sanction limit for business purpose loans of the borrower is Rs.50.00 lakhs or above, then the borrower shall be eligible for Credit Rating. Those borrowers who are availing loan of sectioned limit of Rs.50.00 lakh & above & having other business loan accounts having sanctioned limit below Rs.50.00 lakh with rate of interest 13% & above are also eligible for credit rating from 1 April 2024 onwards.
 - b) If borrower availing loan account having sanctioned limit Rs.50.00 lakh & above is closed or limit reduced below Rs.50.00 lakh then all other accounts of the said borrower having sanction limit below Rs.50.00 lakh is cancelled from first day of next month.
 - c) Prior to 31 March 2016, Credit Rating facility was approved to business loan accounts above Rs.10.00 lakh. Those Loans which have already Credit Rating Facility as on 31st March, 2016 will be eligible for Credit Rating till the expiry of their loan period.
 - d) Prior to 31 March 2021 Credit Rating facility was approved to business loan accounts having aggregate limit of Rs.25.00 lakh and above. Those Loans which have already Credit Rating Facility as A+, A, B as on 31st March, 2021 for the period 01.04.2021 to 31.03.2022 will be eligible for Credit Rating till the expiry of their loan period.
- 2) Exemption of Borrower's individual loans for Purchase of House / Construction of House, Loans against Fixed Deposit / L.I.C / N.S.C / Gold Loans / Vehicle Loans (Personal & Commercial) / Loans under Urban Rent Discounting Scheme will not be considered for Credit Rating eligibility limit of Rs.50.00 lakh & above.
- 3) Loans which disbursed with concessional rate of interest and fall under Bank's different concessional loan schemes will not be eligible for Credit Rating.
- 4) Loans which are fully disbursed & comes under Builder Finance, Commercial Real Estate Category will be eligible for credit rating for amount sanction Rs.50 lakh & above.
- ### 5) Eligibility Conditions for Credit Rating:
- (i) In Case of Term loan accounts, it should not be in overdue status for more than one-month installment at the time of Credit Rating activity.
 - (ii) In Case of Cash Credit accounts, interest receivable amount should not be outstanding for more than one month at the time of Credit Rating activity.
 - (iii) Financial documents of the Customer for last three F.Y. should be available.
 - (iv) In case of Cash Credit accounts, monthly stock statements, debtors and creditors list of the customer should be available.
 - (v) Credit Rating concession in rate of interest shall be applicable from the start of financial year 2024 - 2025 or part of financial year.



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- (vi) Credit Rating approval to all accounts will be given after receipt of all documents from the customer to the respective branch and RMD approval will be given till 31st March 2025. (For Period Dtd.01/04/2025 to 31/03/2026)
- (vii) Branches should complete Credit Rating Activity before 31st December 2024.
- (viii) In case of new commercial loans / business loans sanctioned during the financial year, Credit Rating will be sanctioned after receipt of all documents and RMD approval to 31st March 2025.
- (ix) Review of Credit Rating approved loan accounts will be taken at the end of every quarter. In review, if term loan account is in overdue status by more than two months or interest receivable from cash credit account not recovered for more than two months, then applied Credit Rating concession in rate of interest needs to be made cancel by Branch Manager from next months onward.
- (x) The cancellation of Credit Rating approval has to be informed by the respective branch manager immediately to the customer as well as Deputy General Manager, Risk Management Department, Head Office by written letter and copy of that letter have to be given to Assistant General Manager / Officer on Special Duty / Deputy General Manager of that Branch.
- (xi) Regarding Credit Rating Concession applied loan account, in case of term loan, if one of the loan account of the customer is in overdue status for two months above or in case of cash credit, if interest receivable from the cash credit account of customer not recovered for more than two months, then all other Credit Rating concession eligible / applied loan accounts of that customer will be become non-eligible for Credit Rating and Credit Rating Concession will stand cancelled of all loan accounts.
- (xii) If a loan account became non-eligible for Credit Rating as per point number x, then grace period of 10 days will be made available for that customer to regularize his loan account, if he fails to do so, then concession in rate of interest of that loan account have to be cancelled by Branch Manager after completion of grace period of 10 days and the same has to be informed in written to that customer. Whenever that particular account becomes regular after payment received by bank. Afterwards the Branch Manager has to monitor that account for next 3 months for keeping the said account as regular. On 01st date of the month after completion of next 3 months for keeping the said account as regular, the concession in rate of interest as per earlier will be re-applied to that loan accounts till remaining period. Regarding to this, respective Branch Manager will have the right to re-apply the concession in rate of interest.

6) Marking System for Credit Rating approval:

- Marks shall be given as per below mentioned criteria after independent scrutiny of submitted documents.

Sr. No.	Parameters	Marks
1.	Financial Parameters	35
2.	Security- Prime & Collateral	25
3.	Conduct of Account	25
4.	Management & Business Administration	10
5.	Compliance Parameters	5
Total:		100



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- Allocation of marks for Credit Rating Grade and concession in Rate of Interest for all Term loan accounts w.e.f. 01/04/2024 is as below.

Sr. No.	Obtained Marks out 100	Credit Rating Grade as per Marks	Concession in Rate of Interest	Risk Grade/Category
1.	91 & above	A+	3.25%	Low
2.	71 to 90	A	2.25%	Low
3.	61 to 70	B+	1.25%	Medium
4.	50 to 60	B	0.50%	Medium
5.	Less than 50	C	0.00%	High

- Allocation of marks for Credit Rating Grade and concession in Rate of Interest for all Cash credit accounts w.e.f. 01/04/2024 is as below.

Sr. No.	Obtained Marks out 100	Credit Rating Grade as per Marks	Concession in Rate of Interest	Risk Grade/Category
1.	91 & above	A+	3.25%	Low
2.	71 to 90	A	2.25%	Low
3.	61 to 70	B+	1.25%	Medium
4.	50 to 60	B	0.50%	Medium
5.	Less than 50	C	0.00%	High

- Concession in Rate of Interest for marks obtained 91 and above i.e. Credit Rating Grade 'A+' for only Cash Credit accounts limit wise is different and given as below.

Sr. No.	Cash Credit Limit Amount in Rs.	Concession in Rate of Interest
For Cash credit accounts excluding Govt. Contractor		
1.	Above Rs.500.00 Lakh & below Rs.1000.00 lakh	3.75%
2.	Rs.1000.00 Lakh & above	4.25%
For Govt. Contractor		
1.	Above Rs.500.00 Lakh	3.25%

- Concession in Rate of Interest for Commercial Real Estate, Builder Finance Category is as follows.

Allocation of marks for Credit Rating Grade and concession in Rate of Interest for all Term loan & Secured CC accounts w.e.f. 01/06/2021 is as below.

Sr. No.	Obtained Marks out 100	Credit Rating Grade as per Marks	Concession in Rate of Interest	Risk Grade/Category
1.	91 & above	A	1.00 %	Low
2.	81 to 90	B	0.50%	Medium
3.	Below 81	C	0%	High

- Concession in Rate of Interest for accounts restructured under resolution framework 2.0 is as follows.

Term Loan & Cash credit accounts restructured under resolution framework 2.0 & obtained marks 71 & above are eligible for concession in rate of interest of 1%.



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7) Credit Rating Procedure & Approving Powers:

- i) Branch Managers after scrutiny of loan proposals for Credit Rating should allocate marks as per their opinion & then should send these loan proposals to their Assistant General Manager / Officer on Special Duty / Deputy General Manager.
- ii) After receipt of Credit Rating proposal from Branch Managers, Respective Assistant General Manager / Officer on Special Duty / Deputy General Manager should scrutinize the loan proposal and allocate their marks as per their opinion & send these loan proposals to Deputy General Manager, Risk Management Department, Head Office for final approval.
- iii) Only Deputy General Manager, Risk Management Department, Head Office will have Sanctioning powers of Credit Rating Concession.


8) Reporting System & Communication to the Customers

- a. Quarterly Review report of Overdue in Credit Rating loan accounts concession sanctioned by Deputy General Manager, Risk Management Department, Head Office should be presented before Board of Directors Meeting.
- b. Credit Rating approval letters to be communicated to respective customers.


From 1st April, 2024, Branches should do proceeding/actions as per this Credit Rating-Asset Quality Determination and Procedure (F.Y. 2024-25).

Review:

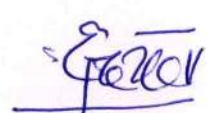
This policy will be reviewed at least once in every year to ensure that it meets the requirements and needs of organization.


Manager

(Vigilance & Risk Management Dept.)


Dy. General Manager

(Vigilance & Risk Management Dept.)


Chief Executive Officer