

ELIGIBILITY CRITERIA AND OTHER TERMS FOR EMPANELMENT OF ASM

1. Eligibility criteria

Only 568 entities shortlisted by IBA are eligible for empanelment as ASMs.

ASMs (shortlisted by IBA), interested for empanelment, have to submit application and supported documents in softcopy, to Credit Monitoring & Policy Department, Central Office through official mail-id. Proposal securing minimum score of 42 (according to internal scoring) only are eligible for empanelment.

The empanelment will be for a period of 3 years subject to review of the performance annually. In case of de-panelment/ black listing of any empanelled entities by IBA/ other Regulators etc., the entity will be de-panelled automatically from our empanelment also.

2. Validity period of engagement of ASMs

The engagement of ASMs shall be valid for a period of three years from the date of engagement & subject to annual review.

Annual review of the ASM would be done on the following parameters:

- a. Quality of report/ observations of an ASM
- b. Compliance with the scope of work allotted
- c. Adherence to timelines etc

3. Expectations from ASM

In a broader perspective, ASM is expected to monitor the account/progress/activity as mentioned below:

- (a) On site as well as off-site monitoring of the business/project, account and analyse, evaluate and monitor the borrowal account/project financially as well as technically.
- (b) ASM's are also expected to look into/track other aspects like Government notifications which may have material impact on borrowal company/industry/sector, all approvals and clearances, price escalation in capital items or raw material etc.
- (c) Extent of involvement of promoters/ top management of the company in day to day operations/decision making as well as strategic decision making and evaluation of the same.
- (d) Conduct root cause analysis of the incipient sickness/ stress in the borrowal account and suggest remedial measure to branch.
- (e) Along with, to take the concern areas from bank as well as promoter and suggest remedial measure during the term of engagement.

4. Purpose of Empanelling ASM

Large credit exposures and specialized nature of loans needs special monitoring capability which can be ensured by engaging ASM which are better equipped in this regard for the following purposes:

- With engagement of ASM, bank will have a timely, fair and transparent monitoring of borrowal account.
- The ASM will monitor the borrowal account in Technical as well as Financial matter and guide the bank for further course of action.
- There would be better monitoring of end use of fund through ASM on account of their on-site presence as well as off-site surveillance.
- Close monitoring on all aspects of Project i.e. clearances and approvals, management supervision, end use of fund, project progress etc.
- On site as well as off-site monitoring of the business / project, account and analyze, evaluate and monitor the borrowal account / project financially as well as technically.

5. Scope of Work for ASM –

(i) In case of Working Capital:

a	Monitor the purchases / invoices of the company (about quantum and reasonableness of the rates) for procurement of raw material / spares / transportation of raw material etc. on daily / weekly basis and compare vis-à-vis monthly operation budget submitted by the company. Periodicity would be decided by Consortium.
b	Review of inventory buildup (including trade receivables and advances to the Company) for operation of the units commensurate with funds released.
c	To monitor the actual operations (production / supplies etc.) vis-a-vis projections.
d	Verification of high value transaction / payment as regards beneficiary and purpose.
e	Assessment of financial information that has been and that will be provided by the company to its lenders including information related to its short term and long term cash flows.
f	Identify key issues and submit the report along with the suggestions with regard to smooth operations of the project.
g	Additional verification of evidence of end use of facilities to company and its utilization as per the conditions laid down by the consortium of lenders.
h	Inspection / verification of stocks / book debts and submission of monthly report (or as stipulated by Lenders) about the inventory / receivables position of the company including slow moving inventory if any, to arrive at correct drawing power to the company.
i	Submit reports at regular intervals (as stipulated by the bank) on: <ul style="list-style-type: none">○ Temporary / long term / unscheduled closure of manufacture facilities○ Any untoward incident or suspicious business or unrelated activity○ Non-cooperation from borrower to provide general information.
j	Source of margin towards working capital / LC / BG
k	Quality of Book Debt, their appropriateness, age wise classification and eligible Book Debts for Drawing Power.

l	In case of consortium lending, ASM will monitor status of borrowing with member bank, conduct of accounts, business sharing etc.
m	Perform such other services as requested by the lenders and mutually agreed to by the party and lenders.

(ii) In case of Term Loan (Project Monitoring), preferably deployed when there is delay in implementation - ASMs for large accounts should be engaged in order to ensure proper monitoring of project implementation as per schedule and utilization of funds, the scope of work will broadly include the following -

a	Conduct physical inspection of the project at regular intervals or deploy official at the project site for continuous monitoring, document reviews and monitoring of progress reports on continuous basis especially vis-à-vis original timelines to avoid sudden shocks of overrun.
b	Determine progress and appropriateness of related transactions (e.g. payments made to contractors and sub-contractors, vendors, orders placed and commercial terms thereof.
c	Deviations in project progress vis a vis timelines and amount disbursed. High value payment / dues to be clearly monitored to ensure proper utilization.
d	Periodical review of invoices and submission of exception report to the consortium.
e	Fortnightly review of production / supplies (quantities of work certified) vis-à-vis inventory consumption records and cash flow to contractor, sub-contractors and vendors, wastages, extent of rework and quality non conformities raised by company, and highlight exceptions. A single review report will be released each fortnight for invoices raised and inventory consumed in that period.
f	Suggestions, if any, for improving the project management practices.
g	Verification / analysis of following is to be done by ASM - (i) Approval / clearances / compliances in the project (ii) Analysis of government letters / instructions / audit report / Independent Engineer's report / insurance / reports submitted to government.
h	Sources of capital fund infusion / Term Borrowing /any other borrowing.
i	Physical progress of project vis-à-vis fund infusion.
j	Perform such other services as requested by the lenders and mutually agreed to by the party and lenders.

(iii) General parameters for monitoring - In addition to the parameters, keeping in view of different credit monitoring aspects, any additional parameters that too need to be monitored by ASMs for all loans.

a. Cash Inflow Monitoring:-	
(i)	Sources of cash inflow based on estimates / projections.
(ii)	Source of unsecured loan / NCD, its tenor and rate of interest, if any / sale of fixed assets / Investments, interest / dividend received from investment.
(iii)	Profit ploughed back and any windfall / exceptional cash inflow e.g. profit from sale of fixed assets, tax refunds etc.
(iv)	Sources of margin, whether it is through borrowing or through capital infusion and is

	brought as per sanction stipulation.
(v)	Monitoring of the payment transactions to/ realisations from the group companies

b. Cash Outflow Monitoring:-	
(i)	Utilization in inventory buildup / acquisition of fixed assets / purchase-invoices of the company (about quantum and reasonableness of rates) for procurement of raw material / spares / transportation of raw material etc. on daily / weekly basis and compare vis-à-vis monthly operation budget submitted by the company.
(ii)	Utilization in creditors repayment / repayment of term borrowing / Loans and advances to other firms.
(iii)	Capital drawings, if any / interest / dividend payouts / redemption of debentures, if any / shares buy back, if any.
(iv)	Inter corporate transactions and / or related party transactions.
(v)	Timely and full payment of Government / statutory due / analysis of any other kind of outflow, if observed.

c. Fund Flow Analysis	
(i)	To highlight on diversion of short term funds in long term uses.

d. Non Cash Parameter:	
(i)	ASM is expected to keep watch in industry specific prevailing trends, cyclical changes, Government Policies and precautionary / mitigation measures, sustainability / sensitivity in Products / Business.
(ii)	High value vendor due diligence, market values vis-à-vis invoice price.
(iii)	Technological obsolescence and substitution measures.
(iv)	Industry experts should also be involved while conducting stock audit in sectors where raw material/finished goods are of technical nature.
(v)	To report on any litigation, court cases including asset classification of associate concerns.

e. Early Warning Signals	
(i)	Early Warning Signals are major tool for identification of any weakness or irregularities in any account. Concerned branch has to provide list of EWS generated in the account to ASM, in advance on each and every quarter, so as to enable them to provide comments/mitigations against major EWS alerts generated in the account to improve the quality and productivity of the supervision.
f. Stock Audit	

However, the list of scope of work is illustrative and not exhaustive and bank may change scope of work on the basis of nature of account, case to case basis.

6. Fees

Professional fees shall be fixed at ₹ 5.00 lakhs per annum for accounts with total exposure up to ₹ 250 crores, ₹ 8.00 lakh per annum for accounts with total exposure above ₹ 250 & upto ₹ ₹ 1000 crores and Financial quotation form empaneled ASM will be sought for accounts with total exposure above ₹ 1000. No other charges/fees/allowance like conveyance/halting/out of pocket expenses will be paid under any circumstances except GST.

7. Submission of Reports

The ASM would be required to submit their report on quarterly basis within 15 days from the end of quarter to the branch, under copy to Credit Monitoring & Policy department, Central Office. However depending upon nature of scope of work the ASM may be advised for submission of reports at shorter intervals by the bank.

8. Termination/ De-panelment of ASM

If Bank feels that quality of report submitted by ASM is not up to the mark or ASM is not submitting the ASM report on prescribed time, Bank can terminate the assignment at any point of time, without assigning any reason.

However, if discrepancies in reports persist regularly or if malafide intension noticed in reporting of ASM, Bank may also remove their name from list of empanelled ASM and may also report to IBA accordingly. View of Bank will be the final.