

POLICY AND GUIDELINES ON STEPPING UP CREDIT TO MSMEs

(As defined by the Bank from time to time)

1. Background

The Bank has proactively put in place a comprehensive strategy to cater to the banking requirements of Small and Medium Enterprise (SME) sector in line with the guidelines issued by Reserve Bank on India (RBI) for this sector from time to time. The extant guidelines are issued by RBI vide its circular RPCD.PLNFS.BC.No.6/06.02.31/2007-08 dated July 2, 2007.

A separate business group viz Small Enterprises Group (SEG group) was set up to cater to all banking requirements of SME sector.

2. Products and Services

At present, the SEG group covers customers through over 200 locations throughout the country. SEG group has over 2000 professionals and has acquired over 9,00,000 customers. The products and services offered by SEG group is customized to the business requirements of SME sector from time to time. This group, as on date provides customized solution through three business subgroups, viz, Business Banking Group, Cluster Banking Group and Corporate Linked Business.

2(a) Business Banking Group

This group offers a bouquet of customised products /services (secured and unsecured) suited to the various requirements of the SME customer. These products cater to the entire working capital cycle including trade finance products like LCs/ Bank Guarantees/ bills discounting facilities, export finance, term loans, collection/payment accounts, anywhere banking current account services and other financing requirements including forex risk management products in a simplified manner to the SME sector.

2(b) Cluster Banking Group

The cluster banking group provides customized banking solutions to various clusters like

1. Life Sciences
2. Chemicals
3. Auto components
4. ECG (Emerging Corporate Group)
5. Construction
6. Wearing Apparel
7. Gems and Jewellery
8. Logistics

9. Electricals
10. IT and ITES (Information Technology)
11. EXIM (Export Import)
12. GLB(Govt. linked business)
13. SEZ (Special Economic Zone)
14. Special Projects

The above list would undergo modification depending on business requirement in this sector from time to time.

2(c) Corporate Linked Business Group

The Corporate Linked Business Group provides comprehensive banking to the supply chain partners who are associated with several large corporates in sectors like petroleum, FMCG, commodities, engineering etc. The division has introduced several innovative products like e-banking to these SMEs which combine financing and help in seamless and real time fund transfer across locations.

The above structure is based on the business requirements of customers in SME sector as on date, however, the same would undergo amendments depending on the market requirement in this sector from time to time.

3. **Other initiatives**

The Bank also provides card based products like credit cards and debit cards aimed exclusively at SMEs. Some of the innovative solutions to the SMEs include forex services through the internet, mobile banking services and card to card fund transfer etc.

The Bank has also taken a leading role in setting up a platform along with CNBC-TV and CRISIL for recognising the spirit of entrepreneurship through Emerging India Awards. The Bank has a regular feature in the mass media (including a magazine devoted to SMEs) bringing recognition to highly successful SMEs and disseminating information on issues of interest to SMEs in the respective sectors.

4. **Customer categories**

As on date, the SEG group acquires Sole Proprietorship Firms, Partnership Firms, Private Limited and Public Limited company with net worth of up to Rs. 500.0 million (mn), which is retained in the business group till the net worth reaches Rs. 900.0 mn.

5. **Customer selection and credit process**

Appreciating the SME customers need for simplified and reliable credit processes, the Bank as on date offers pre-templated standardized products through easy delivery mechanism thereby ensuring minimum turnaround time. The credit product offered are broadly categorised as under:

5(a) Program Lending

The program lending involves a cluster-based approach wherein a lending program is implemented for a homogeneous group of individuals / business entities, which comply with certain laid down parametrized norms. Each program has a specific scoring model that evaluates the borrower or its group entities. This scoring model evaluates both quantitative and qualitative information of the borrower. A customer become eligible for funds depending on minimum cut-off score stipulated in the program and other conditioned as stipulated in the program from time to time.

5(b) Additional / Adhoc limits

The Bank also provides additional /Ad-hoc working capital facilities to meet the seasonal / contingent requirements of the Borrowers , subject to internal policy of the Bank as amended from time to time.

5(c) Pre-approved limits

Further, in order to offer credit facilities to borrowers at short notice, the group also offers a pre-approved limit, to certain borrowers (who have been selected based on transaction history) to ensure faster turn around time when the actual need of the borrower arises. These limits are mainly for working capital. The credit facilities are primarily offered on unsecured basis.

5(d) Other lending

In addition to the above, credit facilities are also given to customers in this sector as per the extant credit policy guidelines of the Bank. These facilities are approved by authorities as per the Credit Approval Authorisation manual approved by Board from time to time.

All above program/pre-approved limits are approved by Credit Risk Management Group (CRMG) and SME Policy and Risk Group (SPRG) before being placed for approval.

As indicated earlier, the product/service offerings to the customers (including delivery mechanism) in this sector is customized to the business requirements from time to time subject to adherence with extant guidelines issued from time to time.

6. Multichannel Servicing

In order to meet the SME customer's requirements, as on date the Bank services these customers through a combination of channels like the branch as well as a relationship officer, internet, call centre services and ATMs. Most of our branches work 12 hours a day and the ATMs, internet and the call centre provide 24X7 access to the customer.

7. Monitoring

The Bank has a regular mechanism for monitoring and reporting of the portfolio performance. The MIS reports on the exceptions to the defined norms as per the product policies are being provided by the Credit Middle Office Group (CMOG). Based on the reports furnished by CMOG, SEG group interacts with customers and resolves the exceptions.

Further, the Bank's Internal Audit Department conducts portfolio and branch audits on regular basis. The CRMG and SPRG also conducts portfolio reviews to evaluate and monitor the performance and quality of the portfolio.

Restructuring and Rehabilitation Policy at ICICI Bank

In the case of non-performing loans / stress cases where settlement or exit is not possible immediately, handholding could be provided subject to long term viability of the company and possibility to retain the loan as earning asset. The handholding could include incremental exposure, wherever needed. However, such increase in exposure should be covered, as far as possible, by collateral / corporate guarantees of a good company / escrow or securitisation of cash flows.

Restructuring of the liabilities of the borrower by giving appropriate reliefs and concessions such as reduction in interest rate, funding of interest, conversion of interest / principal / other dues into equity / debentures or any other instruments, reschedulement of principal, waiver of dues etc. under RBI guidelines, would be used as a tool to improve the long-term viability of the borrower. Restructuring shall however be used selectively and without diluting the Bank's focus on collections. The following aspects would be taken into account while preparing a restructuring package:

1. The proposed restructuring would be based on the realistic projections for the borrower including the estimated cash flows in the future.
2. As far as possible, efforts would be made to ensure commensurate sacrifices from all the stakeholders including existing promoters.
3. Efforts would be made, wherever possible, to include the following covenants / conditions in the restructuring package:
 - Enhancement in security package and payment security mechanisms e.g. Trust & Retention (T&R) / escrow of cash flows of the borrower
 - Up-front trigger conditions, non-compliance of which would result into automatic change of management
 - Personal guarantees of the promoters
 - Appointment of professionals on the Board or as executives to strengthen the existing management
 - Mechanism to capture the upside potential consequent to restructuring through equity, acceleration and recompense clauses
 - Appointment of concurrent auditors
 - In certain cases, where the Bank is already a part of the term lending consortium, the Bank would endeavour to enter the working capital consortium as well. The

objective of this initiative would be to gain control of the borrower's cash flows. In some cases ICICI Bank may give fresh credit facilities to the company to achieve this. However the Credit Policy recognises the fact that actual entry might be a gradual process

(a) Wherever considered necessary, the Bank would insist on

- change of management and/or
- pledge of promoter's stake subject to extant regulatory stipulations

(b) Mechanism for monitoring the compliance of the conditions stipulated and the performance of the company post restructuring would be put in place. Various milestones would be worked out to monitor the implementation of the restructuring package.

The restructuring package would be worked out within the existing regulatory framework and in compliance with various prevailing guidelines.

The Bank would undertake the restructuring of the credit facilities to the Small and Medium Enterprises (SME) borrowers taking into account the guidelines of RBI issued from time to time. The guidelines require the restructuring to be undertaken with reference to a set of criteria provided, which includes, eligible SMEs for restructuring, viability criteria, prudential & asset classification norms etc. Further the Bank would work out the restructuring package and implement the same in accordance with the guidelines within a maximum period of 60 days from the date of receipt of request from the eligible SME borrower.

Further, as the repaying capacity of the people affected by natural calamities gets severely impaired due to the damage to the economic pursuits and loss of economic assets, restructuring of existing loans of such borrowers would be undertaken in a flexible manner as per the guidelines of RBI issued from time to time. The Bank would ensure that the restructuring mechanism in such cases would synchronise with the measures which are appropriate in a given situation.