

## **NPA Symptoms.**

### **A word of caution for interpretation of NPA symptoms.**

- Credit monitoring is as important as credit appraisal and documentation.
- Credit monitoring assumes greater importance if credit appraisal is not carried out meticulously.
- During monitoring, number of symptoms outlined below may be seen but you should not hurry in drawing conclusions.
- In case you start observing symptoms from various categories on regular and frequent basis then it is a matter of concern to the banker.
- The symptoms should be noted and reported to higher authorities from time to time for seeking advice.
- It is the primary responsibility of branch staff to notice these symptoms for corrective action at a latter stage in case of need.

### **Stock & Book debts Statement.**

- Stock & BD statement submission is late, at a time, irregular.
- Creditors for purchases are not indicated.
- Debtors > 90 days are not shown separately.
- Item wise stock statement is not submitted periodically.
- Old, slow moving, obsolete, expired stock is not indicated separately.
- Machinery spares are added in the list.
- Stock held is not proportionate according to consumption.

### **Insurance.**

- Insurance policy is not renewed in time.
- Insurance cover is inadequate,
- All risks are not covered.
- Proposal form is not kept on record.
- Insurance claims are lodged frequently for small losses.
- Burglary risk is not covered.

### **Operations in the Account.**

- Inadequate credit turnover.
- Irregular or infrequent credits are observed.
- Cash withdrawals are excessive compared to business needs.
- Frequent bouncing of cheques.
- Cash is deposited after inward clearing is received after making enquiry.
- Frequent requests for TOD, payment against clearing.
- Request for LC arrangement for purchase of material.
- CC limit is fully utilized.
- Cheques payments are not substantial.
- Generally cash is deposited instead of cheques.
- Inter transfer of funds between associate concerns are observed.
- Payment of loan installments to other banks or institutions or private parties is observed.
- Payment to parties unrelated to business is observed.

### **Renewal.**

- Renewal application is not collected on his own.
- CC Limit is not renewed in time.
- Time limit is requested for submission of renewal papers.
- All papers are not submitted at a time and request is made to process the renewal based on available papers.

### **Bill Discounting.**

- Bills are not retired on due date.
- Overdue bills are recovered by debit to CC a/c.
- Overdue bills are cleared by discounting fresh bills.
- Old bills of previous month are discounted instead of fresh bills of the current month.
- BD limit is fully utilized just before due date.

### **Overdue.**

- Loan installments are not paid on due date.
- Party needs to be reminded for installment due.
- Even if standing instruction is given to debit CC / CD account, sufficient funds are not arranged.
- Request for moratorium after few installments are paid.

### **Financial Indicators.**

- Sales growth is stagnant.
- Margin of safety shows declining trend.
- Material cost ratio shows upward trend.
- Fixed expenses increase disproportionate to increase in sales.
- Margin is reduced.
- Profitability is reduced.
- Current Assets ratio is too healthy.

### **Statutory Obligations.**

- Statutory dues such as PF, ESIS, Prof. Tax, Sales tax, Advance IT etc. are paid just before due date / within grace period.
- Sales Tax return, IT Return etc. are also filed just before due date.
- Adequate balance is not kept in Excise deposit and hence if deposit is not transferred daily, material cannot be removed from the factory.
- Pending litigation.
- Raids are conducted by government officials.
- Change of Auditors.
- Audit is carried out by fresh CA.
- IT Return, Audited A/Cs, Audit Report etc. given only after request.

### **Business.**

- Loss of orders rather frequently.
- No expenditure is incurred on R & D.
- Product research is not carried out.
- New product is not introduced.
- Machinery replacement program is not drawn.
- Competition, change of Government Policy etc.
- Capital expenditure is incurred without consulting banker.
- Accounts are kept manually instead computerizing.
- Greater reliance is placed on few customers.
- Suppliers are changed.
- Operations are also carried out through sister concerns.
- Maintains bank account with other banks without specific permission.

### **Inspection of Unit.**

- Borrower tries to avoid banker's visit to the factory.
- If you observe following during your surprise visit: red flags showing union problem, shop floor atmosphere is not healthy, gossip, bare minimum staff welfare measures are non existent etc.
- Books of a/cs are not produced for inspection during visit.

### **Human Resources.**

- Key departments are headed by family members who are not qualified / experienced in the field.
- Staff turn over at higher level.
- Staff is not given training.
- Borrower does not visit the factory regularly.

### **Borrower.**

- His behavior is too polite & is of sweet tongue.
- He tries to keep the staff members in cajoling mood.
- He frequently visits the branch and HO.
- He is in the habit of offering gifts, presents on some pretext or the other/ likes to throw parties.
- He does not object to levying of service charges and does not demand explanation.
- His standard of living shows upward swing soon after loan is disbursed.
- He likes to keep number of credit cards.
- He purchases immovable property.
- He does not bother for his health.
- His next generation is not interested in his business.
- He is nearing his retirement age.
- He operates locker facility with you more frequently.
- Foreign travel.
- He has developed relationship with political leaders.