DEPOSITION OF WITNESS

(Chapter XXIII code of Criminal Procedure)

In the Court of XI Additional Special Judge for CBI Cases

(CBI Cases Relating to Banks and Financial Institutions)

Chennai - 600 001.

Calendar Case	:	C.C. No. 46/2015
Deposition of witness for	:	PW2
Name	:	Mr.K.Venkatesan
Father's / Husband's Name	:	
Address for Communication	:	
Village	:	
Taluk	:	
Calling	:	
Religion & Caste	:	
Age	:	years Mobile:

Solemnly affirmed in accordance with the provisions of Act X of 1873 on this the 13th day of June, 2019.

Chief Examination.

Presently I am working as Asst.General Manager, Central Bank of India, Mid Corporate Branch, Pune. During August 2013- February 2016 I worked as Chief Manager in Regional Office of Central Bank of India,Chennai. At that time, the Chennai Mylapore Branch was under the jurisdiction of Regional Office, Central Bank of India, Chennai. I know the procedure to be followed by the Branch Manager in processing, sanctioning, recommending, disbursing various credit facilities including cash credit, packing credit, PCFC, Bill discounting/Negotiating . During 2013-2014 the procedure to be adopted the branch where specified by loan policies issued by the Head Office and this procedure includes pre sanction and post sanction and disbursement and follow up.

The power of each delegatee was fixed by the Head office as per the grade of the officer concerned. A Manager can sanction loans and facilities only to the limit permitted by the Head office and he wants to sanction any facilities to the customer beyond his power and the same to be forwarded by way of proposal with due recommendation to the higher authorities and he has to send the proposal to the regional office . If the proposal is within the limit of the Regional Head /Regional Committee the same will be considered by the Regional office and the proposal is above the limit of the regional office. The regional office has to forward the branch proposal with their due recommendation to the next higher authority for further action.

When a branch has to sanction a credit facility based on applications submitted by the customer, the branch has to conduce due deligence with respect to the applicants, the guarantors, the activity and the securities by way of personal visits and by pulling out the CIBIL report verifying the defaulters list of RBI, SAL report of ECGC . The inspection of securities includes both primary and collateral securities. The branch has to prepare the financial reports of the borrowers, guarantors and the unit based on the assets and liabilities submitted by the applicant. Further the branch has to assess the viability of the project and also look into the loan policy with respect to the activity being applicable for loan. The securities obtained are also to be as per the approved list and acceptable to the bank.

When a new customer applies for a facility, wherein the exposure of the bank is above Rs.25 crores, as per the loan policy such proposals are to be cleared as per the NBG Guidelines and it is cleared at Central office level which is in principal in nature.

Whenever a proposal is being assessed the financial strength of the unit is assessed. The assessment is based on various financial ratios like liquidity ratio and liverage ratio and profitability ratio. The important ratios being current ratio which assess the liquidity of the unit is fixed at 1.33 : 1.

With respect to the units, who are engaged in exports the current ratio requirement has been stipulated at 1:1.

The margin stipulated with respect to packing credit/PCFC is 10% and with respect to bills discounted / negotiation, the margin requirement is Nil.

The asset coverage ratio as fixed by the bank is 1.5:1. The asset coverage ratio means the amount of security both primary and collateral available to cover the banks exposure.

As per the loan policy, whenever the bank is taking over an advance from another financial institution certain guidelines have been stipulated.They are

1. There should be no dilution in the collateral security given to the erstwhile bank.

2. The account should have been standard assets in the erstwhile bank and has not shown any sign of sickness during the last 2 years.

3. The account has to be rated and the minimum rating derived in the account should be Central Bank of India-V.

Whenever a collateral security in the form of land and building is obtained it is studied with the valuation taken previously and when the variations are large special focus is given to the aspect and ascertained for the correctness of the current valuation by even going for a fresh valuation by a different valuer who is on the bank's panel.

Further the valuation is also cross checked by the Branch head after making a personal visit .

To facilitate the exporter customer bank's sanction pre-shipment credit facilities and also postshipment credit facilities. The preshipment credit facilities it is the form of P.C/PCFC and postshipment in the form of FBD/FBP/FBN . When we sanction the facilities looking into the exporters' convenience inter changeability from PC/PCFC to Bills purchase limit is permitted. The bills purchase limits are self liquidating in nature. (i.e) the proceeds of the exports are utilised adjusting the bills purchase.

MPBF means Maximum permissible Bank Finance for working capital facility to be fixed in the form of CC/OD/Bills purchase /PC etc based on the business model of the unit. The assessment of working capital is made by the bank looking into the size of the exposure. There are three types of assessment models namely turnover method, second is traditional method and the third is Cash Budget Method. Turn over method is used when the limit require is upto Rs.5 crores. The traditional method is used when the limit require is between 5 crores and Rs.50 crores. The Cash Budget method is used for limits above Rs.50 crores.

In this case, the facilities sanction was based on traditional method of lending, since the facility sanctioned was Rs.9 crores. Traditional method of lending is based on the current assets and the current liability available with the firm the difference of the two is known as the working capital gap. This gap is being financed by the bank after stipulating a margin of 25% on the current assets.

When we say that the margin requirement for export bills is Nil, it means that the entire export value can be financed. As per the policy of the bank the bank cannot purchase discount or negotiate the bill for the customer who are not enjoying any working capital limit other than purchase of cheques upto Rs.15,000/- as per the customer service guidelines.

At request of Public Prosecutor chief is adjourned.