

Outline - 2 day course on Sound Corporate Lending Practices

- 1. Understanding the business cycle of the customer**
 - a. Understanding of needs from the business process;
 - b. Different Products for matching different needs ;
 - c. Mapping need versus Bank's Internal product requirement.
 - d. Description on Each products;
 - e. Understanding the reason for requirement of credit by a borrower;
 - f. Purpose of Long term , medium term and short term fund requirement ;

- 2. Understanding fixed capital needs:**
 - a. Reading and understanding of a business plan
 - b. Identifying core and non core processes and assets
 - c. Identifying overcapitalization and undercapitalization
 - d. Understanding the payback cycles of fixed assets and matching financial needs with the payback pattern
 - e. Case study:

- 3. Understanding working capital needs:**
 - a. Need for proper working capital
 - b. Understanding the working capital cycle
 - c. Assessing working capital needs for different industries
 - i. Manufacturing business
 - ii. Trading business
 - iii. Process industry
 - iv. Service industry
 - d. Working capital term loans and working capital revolving line of credit
 - e. Other methods of working capital finance:
 - i. Financing of inventories
 - ii. Financing of receivables

- 4. Analysis of financial statements**
 - a. Reading of a balance sheet – quality of financial reporting
 - b. Ratio analysis
 - c. Trend analysis
 - d. Sensitivity analysis
 - e. Peer analysis
 - f. Case study

- 5. Credit evaluation and credit risk assessment**

- a. Analytical, semi analytical and quantitative approaches to credit risk
- b. Quantification of credit risk
- c. Pricing of credit risk
- d. Portfolio credit risk management
- e. Excel spreadsheet examples on pricing of credit risk

6. Understanding Security interest creation

- a. Different forms of security interest for different forms of lending
 - i. Possessory and non-possessory security interest
 - ii. Security interest on movable and immovable property
 - iii. Liens, negative liens and security interest on intangible assets
 - iv. Floating charges and fixed charges
 - v. Guarantees and third party security interests
- b. Methods of creation of security interest and registration/ filing requirements

7. Loan documentation:

- a. Need for clear loan documentation
- b. Essential items in loan documentation
 - i. Terms of the loan
 1. rate of interest
 2. payment of principal and interest
 - ii. creation of security interest and collateral requirements
 - iii. surveillance requirements, inspection, information seeking
 - iv. insurance etc
 - v. representations and warranties of the borrower
 - vi. obligations of the borrower
 - vii. events of default
 - viii. adverse material change
 - ix. enforcement

8. Best practices for management of lending:

- Roles and responsibilities of Board of Banks;
- Roles and responsibilities of Bank Management ;
- Best practices for building up a strong credit culture;
- Existence of Independent Risk Management Functions;
- Lending Policy and Collateral Policy ;
- Credit Granting Criteria;
 - Evaluation ;
 - Appraisal process of credit
 - Analysis process of credit
- Risk measurement and evaluation process;

- Scope of risk measurement ;
- Risk Measurement methods ;
- Internal Rating Systems ;
- Monitoring and review of risks ;
 - Individual credit monitoring and review process;
 - Portfolio credit monitoring and review process;
 - Reporting of reviews to appropriate authority ;
 - Use of MIS for monitoring and review of risks ;

For Whom:

- **Banks**
- **Financial Institutions**
- **Financial Consultants**
- **Finance professionals**
- **Regulators**

USP of the course:

- The subprime crisis and the resulting credit crunch has re-taught the age-old lesson, albeit in a very hard way, that a good is created the day a credit proposal is underwritten. From the very day a credit prospect, to the ultimate conclusion of the credit transaction, lending practices and monitoring systems make or mar what a loan book is like. This course teaches the fundamentals of corporate lending practices – the very crux of sound credit book.
- The course is comprehensive, practical and covers a range of issues relating to lending practices and security interests.
- since every lending is essentially to bridge the mis-matches in the cashflows of the borrower, the course focuses on how to understand the funding gaps in a borrower's business, and what are the ideal forms of credit to fill those gaps. An ideal credit plan is the one that exactly fills the funding gaps.
- Understanding of various aspects of lending procedure, from documentation of the loan agreement, managing the loan to reviewing and monitoring of the risks t
- Case study approach for evaluation of the credit process, understanding and quantification of credit risks