**ANNEXURE - 2**

**Indicative Scope of Work**

The broad scope of work for the ASM as per Bank’s extant guidelines, in carrying out a clean and effective monitoring of account is as under:

**In case of Working Capital:**

* + - 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.
    - Review of inventory buildup (including trade receivable and advances to the company) for operation of the units commensurate with fund released.
    - Monitor the actual operation (production/supplies etc.) vis-à-vis projections.
    - Verification of high value transaction/payment as regards beneficiary and purpose.
    - 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.
    - Identify key issues and submit the report along with the suggestion with regard to smooth operation of the project.
    - 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.
    - 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.
    - Submission of reports at regular intervals (as stipulated by member banks) on “Temporary/long term/unscheduled closure of manufacture facilities”, “Any untoward incident or suspicious business or unrelated activity and “Non- cooperation from borrower to provide general information”.
    - Verify source of margin towards working capital/LC/BG.
    - Verify to ascertain quality of Book Debt, their appropriateness, age wise classification and eligible Book Debts for Drawing Power. Verify substantial sales returns entries) in books of the Company and existence of any reciprocal receivables to be scrutinized.
    - Verify genuineness of suppliers/debtors (including overseas) in addition to transaction involving merchant trade /high sea sales and invoice discounting under trade finance at overseas branches.
    - Information /data as per monthly Stock Statement /MSOD /QPR to be reconciled with account operation and published financials.
    - In case of consortium lending, ASM will monitor status of borrowing with member banks, conduct of accounts, business sharing etc.
    - Confirmation on availability of adequate insurance for the securities/stocks/assets with Bank clause noted.
    - Perform such other services as requested by the lenders and mutually agreed to by the party and lenders.

**In case of Term Loan (Project Monitoring):**

ASMs for large accounts should be engaged in order to ensure proper monitoring of project implementation and utilization of funds, the scope of work will broadly include the following:

* + - 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.
    - Determine progress and appropriateness of related transactions (e.g. payments made to contractors and sub-contractors, vendors, orders placed and commercial terms thereof.
    - Deviations in project progress vis-à-vis timelines and amount disbursed. High value payment/dues to be clearly monitored to ensure proper utilization.
    - Periodical review of invoices and submission of exception report to the consortium.
    - 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.
    - Verification of approval/clearance/compliances in the project.
    - Analysis of government letters/instructions/audit report/independent Engineer’s report/insurance/reports submitted to government.
    - Sources of capital fund infusion/Term Borrowing/any other borrowing.
    - Physical progress of project vis-à-vis fund infusion.
    - Perform such other services as requested by the lenders and mutually agreed to by the party and lenders.
    - Offer suggestions, if any, for improving the project management practices.
    - Perform such other services as requested by the Bank/ Lenders and mutually agreed to by the Company and the Lenders.

**General Parameters for Monitoring:**

The general parameters that need to be looked into by the ASMs will be as under:

1. **Cash Inflow Monitoring:** 
   * 1. Source of cash inflow based on estimates/projections.
     2. Source of unsecured loan/Non-Convertible debenture (NCD), its tenor and rate of interest, if any/sale of fixed assets/investments, interest/dividend received from investment.
     3. Profit ploughed back and any windfall/exceptional cash inflow e.g. profit from sale of fixed assets, tax refunds etc.
     4. Source of margin, whether it is through borrowing or through capital infusion and is brought as per sanction stipulation.
     5. Monitoring of the payment transactions to/realization from the group companies.
2. **Cash Outflow Monitoring :**
   * 1. 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.
     2. Utilization in creditor repayment/repayment of term borrowing/loans and advances to other firms.
     3. Capital drawings, if any/interest/dividend payout/redemption of debentures, if any/shares buy back, if any.
     4. Inter corporate transactions and/or related party transactions.
     5. Timely and full payment of Government/statutory due/analysis of any other kind of outflow, if observed.
3. **Fund Flow Analysis :**

Highlight on diversion of short term funds in long term uses.

1. **Non- Cash Parameter :**
   * 1. Keep watch in industry specific prevailing trends, critical charges, Government policies and precautionary/mitigation measures, sustainability/sensitivity in Products/Business.
     2. High value vendor due diligence, market values vis-à-vis invoice price.
     3. Technological obsolescence and substitution measures.
     4. Report on any litigation, court cases including asset classification of associate concerns.
     5. Changes in Shareholding pattern/ voting rights.
     6. Any contract entered into which is unrelated to business.
     7. Implication of any rearrangement viz., carve out, merger, demerger etc.
     8. Leveraging of single equity in multiple companies
2. **Other Parameters**:
   * 1. Verify transactions involving substantial amount which are not of regular nature.
     2. Advice the Bank for monitoring based on publicly available information from various sources for Initiating corrective Steps to safeguard the exposure.
     3. Any alienation /disposal of securities.
     4. Verification of end use of funds deployed outside the country in respect of borrowing by offshore companies of parent entity.

The above list is only indicative and Bank reserves the right to include any other post monitoring activity as scope of work to be assigned and account specific monitoring activity, if any.