

Outline - 2 day course on Sound Corporate Lending Practices

Day 1

Session 1: Understanding the business cycle of the customer

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

Session 2: Understanding fixed capital needs:

- Reading and understanding of a business plan
- Identifying core and non core processes and assets
- Identifying overcapitalization and undercapitalization
- Understanding the payback cycles of fixed assets and matching financial needs with the payback pattern
- Case study:

Session 3: Understanding working capital needs:

- Need for proper working capital
- Understanding the working capital cycle
- Assessing working capital needs for different industries
 - ◆ Manufacturing business
 - ◆ Trading business
 - ◆ Process industry
 - ◆ Service industry
- Working capital term loans and working capital revolving line of credit
- Other methods of working capital finance:
 - ◆ Financing of inventories
 - ◆ Financing of receivables

Session 4: Analysis of financial statements

- Reading of a balance sheet – quality of financial reporting
- Ratio analysis
- Trend analysis
- Sensitivity analysis

- Peer analysis
- Case study

Day 2

Session 5: Credit evaluation and credit risk assessment

- Analytical, semi analytical and quantitative approaches to credit risk
- Quantification of credit risk
- Pricing of credit risk
- Portfolio credit risk management
- Excel spreadsheet examples on pricing of credit risk

Session 6: Understanding Security interest creation

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

Session 7: Loan documentation:

- Need for clear loan documentation
- Essential items in loan documentation
 - ◆ Terms of the loan
 - rate of interest
 - payment of principal and interest
 - ◆ creation of security interest and collateral requirements
 - ◆ surveillance requirements, inspection, information seeking
 - ◆ insurance etc
 - ◆ representations and warranties of the borrower
 - ◆ obligations of the borrower
 - ◆ events of default
 - ◆ adverse material change
 - ◆ enforcement

Session 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