



युनाइटेड बैंक ऑफ़ इंडिया

United Bank of India

प्र.का. : 11, हेमंत असु सरणी, कोलकाता - 700 001

H.O. : 11, Hemanta Basu Sarani, Kolkata - 700 001

Guidelines for

Empanelment of external

consultants for Techno-

Economic Viability (TEV)

Study

Guidelines for Empanelment of external consultants for Techno-Economic Viability (TEV) Study:

The Bank's Lending Policy inter-alia stipulates that for appraisal of project loans, besides analyzing the basic parameters, mainly four broad aspects viz. technical feasibility, financial feasibility, economic viability, managerial competence are to be examined to ascertain whether the project will be technically feasible, economically viable, financially sound, professionally managed and ultimately to see whether it is viable as a commercial proposition.

Technical feasibility:

The examination of this item consists of an assessment of various requirements for implementation of the project, production technology, optimum utilization of installed capacity, availability of utilities and inputs, quality of products etc.

Economic Viability:

This is to be examined with reference to market demand – supply scenario vis-à-vis the project's production capacity, market price of the product vis-à-vis unit cost of production, etc.

Financial Feasibility:

This to be examined with reference to the projected profitability, cash flow, Internal Rate of Return (IRR), Debt Service Coverage Ratio (DSCR), Sensitivity to adverse scenario etc.

Managerial Competence:

This is to be examined with reference to (i) business acumen and experience of the promoters, (ii) professional management team with defined work domain for implementation of the project, production, marketing, finance etc. (iii) competence of the promoters / management to mitigate implementation risk, funding risk, input risk, market risk, technology risk, regulatory risk etc.

The Lending Policy stipulates that for examining the parameters stated hereinabove, Detailed Project Report (DPR), Techno-Economic Feasibility Study Report (TEFR), Financial Model are to be perused, especially when project financing involves a term loan of Rs. 10.00 crores and above from our Bank or total project cost of Rs. 12.50 cr. and above.

It is further stated in the Lending Policy that Techno economic feasibility study of the project is required to be done/ vetted by competent consultants of repute in similar field. The credentials of such consultants may be examined and incorporated in the appraisal note. Service of bank's empanelled TEV consultants and /or TEV consultants empanelled with SBI, PNB, IDBI Bank, ICICI Bank, Axis Bank, other All India FIs, other nationalized banks or private banks for TEV study, may also be utilized.

Some big corporate /PSUs are having in-house expertise relating to design and implementation of expansion/new projects and generally DPR with techno-economic feasibility are prepared by their in-house team. Sometimes the viability is also looked into and also confirmed by the lead bank /principal bank in consortium/multiple bank environment. In such cases the bank may consider the same without any external vetting.

Bank's existing guidelines on Empanelment of TEV consultants were last approved by Board of Directors in its meeting held on 27.03.2010.

In view of the fact that a considerable time has elapsed since the guidelines for empanelment of TEV Consultants were last approved by the Board, it is felt necessary to have a relook on the guidelines for empanelment of TEV Consultants and incorporate certain modifications before conducting the fresh process of empanelment of TEV Consultants. The existing panel will

cease to exist after the fresh empanelment process is completed based on the revised guidelines. The TEV consultants in the existing panel may however apply de-novo in the fresh empanelment process.

I. Applicability of TEV Study:

TEV study shall be compulsory in respect of new projects / expansion/modernization/restructuring where Bank's involvement is Rs. 10.00 crore or above or total project cost of Rs. 12.50 cr. and above. However, the Bank may insist for TEV study in any other case also wherever considered necessary. TEV study may be exempted in the following cases:

- Considering unique feature of Industry/ Project/ activities, any waiver in obtaining Techno Economic Viability (TEV) Study will be accorded by competent authority one step higher not below HLCC-2 as the case may be.
- In respect of proposals falling under the sanctioning/ discretionary power of HLCC-1 & above (where waiver of TEV report is sought), the respective sanctioning authority shall consider the same.
- Accounts involving restructuring under CDR.

II. Pre-requirement of TEV Study:

- TEV study should be sought only after the proposal is found acceptable from all angles other than techno-economic angle. This is necessary since TEV study involves time and cost to the borrower as well as to the Bank.
- All normal terms and conditions like rate of interest, security /collateral security, margin etc. should be discussed with the borrowers and only upon their acceptance TEV study should be resorted to.
- 25% of the processing fee should be collected by the Branch while forwarding papers for TEV study.

III. Appraisal fee for consultants

- The charges/terms of payment etc. of the consultant will have to be negotiated by the Bank beforehand and written consent of the borrower for bearing such expenditure will have to be obtained.
- The respective amount should be deposited by the borrower in an account with Bank's lien marked on it.
- Only after receipt of the consent and respective fees from the borrower, the assignment shall be entrusted with the consultant.
- Negotiation of fees by the applicant/borrower with the consultant should be discouraged.
- Report should be obtained by the Bank directly from the consultant.
- Payment to the consultant should be made by the Bank.

IV. TEV study coverage/scope of work:

TEV report should normally cover the following aspects:

- Promoters and their background – Only objective assessment of promoters and their background based on their experience, existing operations and professional qualifications etc. to be given. Relevance of these to the proposed venture in case of new units to be brought out. It shall also include Managerial Competence: To be examined with reference to (i) business acumen and experience of the promoters, (ii) professional management team with defined work domain for implementation of the project, production, marketing, finance etc. (iii) competence of the promoters /

management to mitigate implementation risk, funding risk, input risk, market risk, technology risk, regulatory risk, etc.

- Project cost and means of finance with comments on each and every major component of cost of project, on its acceptability and price competitiveness along with comments on suppliers / vendors are to be made.
- Financial analysis in case of existing units with a view to ascertain investible surplus, expected cash accruals during the implementation of the proposed new/ expansion /diversification project. Other aspects to be studied include inventory and receivable levels maintained vis-à-vis normative requirements and/or industry standards.
- Plant & Machinery – Comments on condition, balancing/ adequacy of existing/proposed machinery, technological level, suppliers of machinery etc. should be given. In case of second hand machinery availability of Chartered Engineer's certificate on age of machinery, condition of machinery, reasonability of cost, residual life and availability of spares etc. should also be seen and commented upon.
- Infrastructure: Availability of the required infrastructure, arrangements made /proposed and adequacy thereof.
 - Raw materials: Required raw materials, quantitative requirements based on yield data, sources of supply, cost of raw materials and availability position thereof etc.
 - Products: Main product(s) to be manufactured, bye products and wastes etc. Quantitative projections (where available /possible), proposed selling price vis-à-vis current market prices etc.
 - Market and marketing arrangements: Demand /supply data position, other competitors in the industry, import substitutes, targeted consumer segment. Assessment of market demands for the product keeping in view the national and international industry scenario in short and long term. Proposed marketing /selling/distribution set-up, prospects of marketing tie-ups.
 - Assessment of working capital with due emphasis on holding period of raw materials and debtors.
 - Assessment of term loan requirement.
 - SWOT analysis including risk factors and risk mitigants.
 - NPV Analysis in case of restructuring, rehabilitation programme.
 - Concluding comments on technical feasibility and economic viability including BEP analysis, DSCR calculations, IRR calculations and sensitivity analysis on sales and major inputs. Debt servicing capacity of the project at different DSCR levels may be worked out where the project DSCR is lower than the benchmark figure for the limits sought by the applicant/borrower.

The above list is illustrative and not exhaustive. Bank may decide on additions/deletions to the above list on a case to case basis and depending on the nature of the project and purpose of the report i.e. new finance or restructuring.

TEV study should not cover aspects like need for collateral security etc. and other benefits to the Bank as these are to be decided by the Sanctioning Authority. Likewise, valuation of assets is also to be carried out by the approved valuers of the Bank.

All credit/project appraisal memorandum submitted by the mandated consultants, including the subsidiaries of the banks, shall contain an unqualified certificate of the appraising consultant stating that they have verified the technical and financial aspects of the project and based on their assessment the project is technically viable and economically feasible. The Bank shall not entertain any credit/project appraisal memorandum from the consultants without this certificate.

V. Time limit for submission of report by Consultant:

The time limit for submission of the report may be decided on a case to case basis and the same would be indicated in the assignment letter to be issued to the consultant.

VI. Sharing of TEV study report with other Banks/customers:

- Though the appraisal are for Bank's internal purposes of decision making, copy of the TEV study may be given to the customer, on request, with the prior approval of GM in-charge of the respective vertical at Head Office, as the cost of such study shall be borne by the borrower.

VII. Eligibility Criteria for Empanelment of external consultants for TEV study:

The process of empanelment will be carried out once in year and shall remain valid for 5 years by publishing a notice in the Bank's website inviting applications for empanelment of TEV consultants within a cut-off date, fixed internally. The eligibility criteria for empanelment are as follows:

1. Scope of services:

The services required normally relate to project appraisal, financial management, market study/research, management competence, viability study of sick units and rehabilitation etc.

2. Constitution:

The consultant may be an individual, proprietorship firm, partnership firm, private/public limited company/LLP.

3. Qualification:

The team of Consultant shall have CA / ICWA or equally qualified person, as a partner/Director/ employee/ retainer in addition to BE/ B.Tech or equally qualified personnel in the field of service offered.

As Bank's exposure is increasing in different sectors which are not common and are critical in nature, and also due to introduction of new streams in Engineering / Technical fields, it is preferable that the consultant firm shall have the ability to provide services of such technical experts for uncommon and critical projects.

4. Experience:

The individual proprietorship firm/ partnership firm/ LLP/ Company should have been empanelled as TEV consultant with other Banks/ FIs for at least last 3 years

5. Affiliation:

Consultants should have secured registration/ membership with the concerned Department/ Professional Body/ Agency.

- 6. Consultancy charges:** The consultant should indicate the charges/fees and other conditions, if any, for each of the services offered separately. The charges/fees of the consultant should be reasonable and in line with the market trend. (The service charges/fees indicated would serve only as a reference and actual charges are to be negotiated at the time of giving a specific assignment in consultation with the applicant/borrower.)

- 7.** The application to be submitted as per the application form (revised format enclosed as **Annexure**).

The Bank reserves the right to accept or reject any or all applications without assigning any reasons thereof. Bank also reserves the right to relax/modify the eligibility criteria and bank's decision in this matter shall be final and binding.

VIII. Procedure for empanelment:

The procedure for empanelment would be as under :

The applications received would be screened by a Committee of General Managers comprising:

- General Manager in-charge of Credit
- General Manager in-charge of MSME
- General Manager in-charge of PRISEC
- General Manager in-charge of IRM
- General Manager in-charge of Credit Monitoring & Recovery
- General Manager in-charge of Audit & Inspection.

The committee would be presided over by the senior most General Manager present in the meeting. Quorum of the above committee would be minimum three General Managers. Presence of General Manager in charge of Corporate Credit is must.

Approval: The applications along with the views/ recommendations of the committee would be put up to ED/ MD & CEO for approval.

The exercise for empanelment would be conducted once in a year. The panel would be valid for a period of five years

The performance of the panel would be reviewed every year by the respective CRMs at Regional Level, in cases, where services of TEV Consultants are not found satisfactory and/or their reports are influenced /detrimental to the bank's interest, the above committee shall delist their names from the approved panel at any time. In case of any wrong-doing/malpractice by the empanelled consultant, the Committee may also decide to report the name of such consultant to IBA or any other related agency for black-listing.

Bank should carry out an independent and objective credit appraisal in all cases and must not depend on credit appraisal reports prepared by outside consultants, especially the in-house consultants of the borrowing entity. Accordingly all appraisals must be done independently justifying the acceptability of information/ data/ underlying assumptions provided by the borrowers &/or their consultants. (and shall duly examine information/ data/ underlying assumptions contained in 'Project Information Memorandum' independently).

REVISED APPLICATION FORM FOR EMPANELMENT OF CONSULTANTS FOR TEV STUDY

1. GENERAL

Name of Consultant / Organization	
Address of the registered office	
Telephone & Fax No.	
E-mail ID	
Particulars of administrative office and branches	
Constitution: (copies of partnership deed/ memorandum and articles of association etc. as applicable, should be enclosed)	Individual /proprietorship concern / partnership firm / Private Ltd. company /Public Ltd. company / Co-operative society
Date of Registration / Incorporation	
Date of Commencement of Business	
PAN No. (enclose copy)	
Name, Designation, Phone No. and e-mail ID of Contact person	

2. BRIEF HISTORY

Brief particulars of the organization, including changes, if any, in the name, constitution and management													
Total paid-up capital													
Particulars of capital/shares held													
<table border="1"> <thead> <tr> <th>Name</th> <th>Resident/Non-Resident</th> <th>% share capital held</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Name	Resident/Non-Resident	% share capital held										
Name	Resident/Non-Resident	% share capital held											
Particulars of consultancy income during last 3 years. (ITR along with computation of Income to be enclosed).													
Name & address of Bankers													
Category of consulting organization													
i) Handles assignments with required professionals on own pay-roll.	<input type="checkbox"/>												
ii) Handles assignments with the help of associates or part-time professional staff	<input type="checkbox"/>												
iv) Consultants who also manufacture / supplies Plant, machinery and equipment either directly or through associates	<input type="checkbox"/>												
Experience in conducting TEV study years												
Particulars of membership / registration with national/international institutions/agencies (e.g. Institute of Engineers, Chartered Accountants, Cost Accountants, Valuers, NACE, IBRD, ADB etc.(pl enclose supporting documents)													

a)	Name of professional body	Type of membership/ registration	In whose name membership/ registration is held (i.e. partner/ promoter/Director/ Employee/Retainer/Firm/Company etc.)
b)	Name of the organization	Type of services for which registered/ enlisted	
Particulars of associations with foreign consultancy organizations, if any			
Indicative consultancy fees (in relation to project cost)			
Brief particulars of the other activities			

3. DETAILS OF EMPANELMENT WITH BANKS/FIs
(copies of Letters of empanelment from Banks/FIs to be enclosed)

Sl. No.	Name of Bank/FI	Professional service for which empanelled	Empanelled since

4. AREA OF SPECIALIZATION

Type of industry and size of project should be indicated	
Industry	Minimum & Maximum Project Outlay (Rs. /Cr.)

5. PARTICULARS OF PARTNERS/DIRECTORS/ PROMOTERS (Copies of testimonials to be enclosed)

Sr. No.	Name & designation	Age	Qualification	Industrial consultancy experience	PAN No.	Particulars of partnership / directorship with other organizations, if any

6.

7. PARTICULARS OF PROFESSIONAL EXPERTS (Full/Part-Time/Associate/Retainer)
(Copies of testimonials to be enclosed)

Sr. No.	Name & designation	Age	Qualification	Specialization	Full/part time / associate / retainer	Particulars of previous experience

Whether services of engineer / technical experts for uncommon/ critical field of engineering may be provided (Yes or No). If yes name of field(s):

8. LIST OF 5 IMPORTANT TEV Studies CONDUCTED

(Letters of assignment from clients/Banks/FIs to be enclosed)

Date	Name & address of the client	Name & address of financing Bank/FI and Branch	Details of project incl. capital cost & line of activity	Present status of the project	Existing status of the Account with the respective Bank/FI

Declaration & Undertaking:

- ❖ I/We hereby affirm that all the information submitted by me/us is true and correct. I/we understand that any discrepancy/wrong information would lead to cancellation of my/our empanelment at any time.
- ❖ I/We further affirm that I/ we have not been debarred /delisted by any Bank/ FI/ IBA or any other statutory body.
- ❖ I/We agree that the Bank's decision regarding selection / rejection for empanelment will be final and binding and no further correspondence will be entertained by the Bank in this regard.
- ❖ I/We further agree that my/our Empanelment with the Bank would not amount to any commitment by the Bank to provide any professional assignment to me/us.
- ❖ I/We also agree that Bank reserves its right to remove/ delist me/us from the panel at any time without assigning any reason.
- ❖ I/We understand and agree that in case of any wrong-doing/malpractice on my/our part, the Bank may report my/our name to IBA or any other agency for black-listing.
- ❖ I/We undertake that I/We shall maintain confidentiality and secrecy of the assignment given to me/us by the Bank.
- ❖ I/We undertake that I/We shall not use Bank's logo or anything depicting me/us as Bank's panel consultant on my/our letter-head, sign-board, name-plate or visiting card etc.

Signatures of
Proprietor/Partner/Director/
Authorized Signatory
with Seal of the firm / company

Place :

Date :

Enclosures:

- a. Memorandum & articles of association/partnership deed of company / partnership firm / LLP
- b. PAN Card of the individual/firm/company
- c. ITR of the individual/ firm/company for last 3 years along with computation of Income
- d. Registrations/membership with professional bodies/organizations
- e. Copy of Service Tax Registration
- f. Letters of empanelment from other banks/financial institutions
- g. Detailed CV of key personnel, including that of technical experts along with copies of testimonials
- h. Copies of 'No Objection Certificate' from present employers in case of part-time professionals
- i. Copies of consent letter(s) from associates
- j. List of 5 important TEV studies conducted along with Letters of assignments from clients/Banks/FIs

N.B. - Incomplete applications or applications without proper enclosures for establishing their credentials will be summarily rejected and no correspondence will be entertained in this regard.