



BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY & MANAGEMENT STUDIES (BIITM), BHUBANESWAR

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AXIS BANK

SUMMER INTERNSHIP PROJECT 2025

REPORT TITLE

**"Evaluating Credit Risk and Underwriting Practices for
Working Capital Loans: Insights from Axis Bank"**

SUBMITTED BY

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MBA Batch: 2024-26

University Regn. No.: 2406258130

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Biju Patnaik Institute of Information Technology & Management Studies

CERTIFICATE FROM INTERNAL GUIDE

This is to certify that **Ms. P. Naina**, bearing university registration no **2406258130** of 2024-26 batch, has completed her summer internship at Axis Bank Limited from to 24/06/2025 to 08/08/2025 under the supervision of Mr. **Pracheta Parida** and has submitted this project report under my guidance in partial fulfilment of the requirements for award of the degree of Master of Business Administration at Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar. To the best of my knowledge and belief, this project report has been prepared by the student and has not been submitted to any other institute or university for the award of any degree or diploma.

Place- Bhubaneswar

Date-05/08/2025

Prof. Shahni Singh

Assistance Professor

CERTIFICATE FROM EXTERNAL GUIDE

This is to certify that **Ms. P. Naina**, a student of the Master of Business Administration (MBA) at Biju Patnaik Institute of Information Technology and Management Studies (BIITM), has successfully completed the Summer Internship Project titled "**Evaluating Credit Risk and Underwriting Practices for Working Capital Loans: Insights from Axis Bank**" under my guidance and supervision.

The project was undertaken as a part of the student's Summer Internship at Axis Bank Limited during the period from 24/06/2025 to 08/08/2025. I confirm that the said project is the independent work of the student and has been carried out for the partial fulfilment of the requirements of the MBA program.

Ms. P. Naina has shown a commendable level of diligence and sincerity in completing this project. The report is a genuine effort to explore the theoretical concepts learned during the course and apply them in a real-world banking environment. The work demonstrates the student's understanding of the subject matter and her ability to apply academic knowledge to practical business challenges.

We have found the report to be satisfactory in terms of content, analysis, and presentation. We wish her all the best in her future endeavours.

Place: Bhubaneswar

Date: 05/08/2025

Mr. Pracheta Parida
Area Credit Manager
Axis Bank Ltd.

DECLARATION

I, **Ms. P. Naina** bearing university registration no. **2406258130** (2024- 2026 batch), hereby declare that the project report titled "**Evaluating Credit Risk and Underwriting Practices for Working Capital Loans: Insights from Axis Bank**" is based on my internship at **AXIS BANK LIMITED**, during the period 24/06/2025 to 08/08/2025 and is an original work done by me under the supervision of Mr. Pracheta Parida and Prof. Ms. Sahani Singh. This report is being submitted to Biju Patnaik Institute of Information Technology and Management Studies (BIITM), Bhubaneswar, affiliated to Biju Patnaik University of Technology (BPUT), Odisha, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration. This project report has not been submitted to any other institute/university for the award of any degree or diploma.

Place: Bhubaneswar

Ms. P. Naina

Date: 05/08/2025

ACKNOWLEDGEMENT

My acknowledgment begins with thanking my Internal Guide Prof. Shahni Singh who has provided me with suggestions for making this final internship report and provided me with the format for making and preparing the whole report. I would like to thank madam for his generous cooperation and regular supervision that made me confident about the desired outcome of my internship report.

I would like to show my warm-hearted gratitude to the whole SBB department of AXIS BANK LIMITED, which has provided me with a great deal of information, adequate data and finally cooperated with me for the accomplishment of the whole report successfully. I would like to thank each member. I am especially grateful to Mr. Pracheta Parida (Area Credit Manager), CA Sachin Jain (Sr Credit Manager) for invaluable support and direction that lead me to the successful completion of my internship report. I have done my whole internship period under this supervision and am grateful to them for helping me each step of work at the office.

ABSTRACT

This report presents an analytical study based on a six-week internship experience in the Credit Underwriting Department of Axis Bank's Small Business Banking (SBB) division. The primary objective of the internship was to understand the process of credit assessment, underwriting, and risk evaluation associated with MSME (Micro, Small & Medium Enterprises) loans, especially working capital loans.

The study focuses on how creditworthiness is evaluated through financial analysis, CIBIL and CMR scoring, field investigations, and risk rating tools such as the RAM and ICON models. During the internship, hands-on exposure was gained in reviewing financial documents, preparing CAMs (Credit Appraisal Memos), analysing borrower profiles, and understanding disbursement and post-sanction monitoring processes, including Early Warning Signals (EWS) checks.

The report also highlights the importance of balancing risk mitigation with business growth in the lending process. The findings reflect how Axis Bank ensures credit discipline and supports MSME sector development through structured underwriting practices within TAT.

AXISB/HR/CO/2025-26/012

Dated:13th August 2025

CERTIFICATE OF COMPLETION

This is to certify that **Ms. P. Naina** has successfully completed summer internship with Axis Bank from 24th June 2025 to 5th August 2025

Candidate has worked on “Evaluating Credit Risk and Underwriting Practices for Working Capital Loans: Insights from Axis Bank” and has added value through her work.

We wish her best wishes for all future endeavors!

For Axis Bank Ltd.

Sharan V Chhabria

Human Resources-Business Partner
Corporate Office.



TABLE OF CONTENTS

SL NO.	CHAPTERS	PAGE NO.
1	Introduction Scope Objectives Methodology Review of literature	1-6
2	Company profile Industry analysis	7-18
3	Competitor analysis	19-22
4	Customer analysis	23-28
5	Actual Work Done Analysis and Findings	29-48
6	Conclusion and Suggestions	49-50
7	Bibliography	51

Chapter I: Introduction

Background

In today's dynamic financial landscape, the stability and growth of banks heavily depend on the robustness of their credit underwriting and risk management frameworks. Axis Bank, as one of India's top private sector banks, has demonstrated strong capabilities in offering a comprehensive suite of lending solutions to diverse customer segments. A key area of focus for the bank is the Small Business Banking (SBB) division, which caters to Micro, Small, and Medium Enterprises (MSMEs) – a vital sector that contributes over 30% to India's GDP and plays a significant role in employment generation.

The SBB division of Axis Bank primarily disburses working capital loans, term loans, and unsecured business loans, tailored to the unique needs of small enterprises. However, lending to this segment carries inherent credit risk, given the limited availability of formal financial records, volatile cash flows, and high dependency on promoter strength. This necessitates a robust credit underwriting framework supported by prudent risk management practices.

Credit underwriting involves assessing the borrower's creditworthiness based on financials, cash flow patterns, business model, repayment capacity, and risk profile. It blends quantitative evaluation (like ratio analysis) and qualitative judgment (like promoter behaviours and industry risk). Risk management then steps in to ensure that exposure is kept within acceptable limits, using tools such as internal credit ratings, collateral evaluations, covenants, and monitoring mechanisms.

Furthermore, the rising role of credit bureaus like CIBIL, and regulatory pressure from RBI to maintain healthy loan books, has made the underwriting process even more data-driven and compliance-oriented. This project attempts to closely observe and understand how Axis Bank's SBB division underwrites credit and manages risk at the ground level, highlighting the use of both traditional and modern techniques to ensure safe and profitable lending.

Objectives of the Study

1. To understand the structure and steps involved in the credit underwriting process at Axis Bank (SBB).
2. To study the significance of credit score (CIBIL) and its impact on sanctioning decisions.

3. To explore risk mitigation strategies used by the bank to safeguard against loan defaults.
4. To suggest potential improvements or automation in the underwriting and risk assessment framework.

Scope of the Study

The study is confined to the Small Business Banking (SBB) unit of Axis Bank and focuses primarily on:

- The underwriting of working capital and term loans for MSMEs.
- Understanding the end-to-end process from application login to disbursement.
- Examining internal tools, risk matrices, and compliance frameworks.
- Interaction with Relationship Managers (RMs), Credit Managers (CMs), CPA.
- Analysing live or closed loan cases during the internship for practical exposure.

Methodology

Research Design:

The study is exploratory and descriptive in nature, based on both primary and secondary data sources.

Primary Data:

- Observations during internship at Axis Bank SBB branch
- Interaction and discussions with Relationship Managers, Credit Managers, and risk analysts
- Examination of actual loan proposals (CAM – Credit Appraisal Memos)
- Participation in borrower meetings and file login processes

Secondary Data:

- Axis Bank Credit Policies and internal circulars
- RBI reports and guidelines on MSME lending and risk management
- Published research articles and papers on credit risk

- Books, websites, and financial journals

Data Analysis Tools:

- Ratio analysis
- Credit score interpretation (CIBIL)
- Risk rating models (internal scoring)
- CAM-based case study analysis

Review of Literature

A review of literature reveals that modern credit underwriting and risk management in MSME lending involves multidimensional assessment—credit scores, promoter behavior, and digital data. Key themes include the importance of CIBIL scores, structured CAMs, RBI’s MSME policies, digital underwriting tools, and the use of risk-based pricing with early warning systems to ensure asset quality and reduce defaults.

1. Basel Committee (2001) – Credit Risk Management Principles
Introduced foundational global guidelines for effective credit risk control. The report stresses the importance of risk classification, internal controls, and setting credit limits to prevent excessive exposures. It laid the groundwork for structured underwriting frameworks now adopted by Indian banks.
2. RBI (2019) – Report on MSME Lending
This study observed the challenges faced by MSMEs in accessing formal credit due to limited documentation and informal cash flows. It recommended alternate assessment tools, such as turnover-based underwriting and sectoral risk profiling, which are now increasingly part of bank policies.
3. Kavitha & Babu (2021) – Credit Appraisal Mechanism in Indian Banks
An empirical study across major banks in India which showed reliance on DSCR, CIBIL scores, and collateral. The study emphasized integrating qualitative aspects like business sustainability and promoter intent to enhance credit assessment accuracy.
4. Dr. S. Ghosh (2018) – Risk Management in Indian Banks
This research highlights the importance of sector-specific risk assessment and suggests embedding early warning signals (EWS) in credit risk models. It also

advocates for greater alignment between risk teams and credit underwriting departments.

5. CIBIL TransUnion (2022) – MSME Credit Insights Report

Found that a CIBIL score above 700 significantly increases the chances of loan approval. The report confirmed that high-scoring borrowers also experience better repayment behavior, thus lowering portfolio risk.

6. Kumar & Shetty (2020) – Role of CAM in Credit Decisions

The authors argued that the Credit Appraisal Memo (CAM) is central to the underwriting process. It enables decision-makers to review a holistic profile of the borrower, combining financial data with personal and business evaluations.

7. Axis Bank Annual Report (2023) – Annual Risk Review Section

This internal document outlined Axis Bank's risk strategies for SME lending, including use of internal rating models, digital underwriting, and segmentation-based pricing. It also mentions the bank's focus on reducing NPAs in the SBB segment.

8. Dr. R. Mohan (2016) – Credit Risk Analysis in Indian Banking Sector

Proposed a hybrid risk assessment model combining financial metrics with algorithm-based risk scoring. It suggested using machine learning techniques to predict default probabilities, especially useful for small-ticket loans.

9. World Bank (2018) – Credit Underwriting for SMEs – Global Perspectives

Found that simplified credit underwriting models based on real-time business cash flows, tax returns, and payment histories improve access to credit for SMEs. The report also emphasized digital lending platforms.

10. Singh & Arora (2019) – Financial Literacy and Credit Health

This paper linked low promoter literacy to poor documentation and delayed application processing. It stressed the importance of pre-sanction counseling and credit education for borrowers to reduce underwriting risk.

11. NABARD (2021) – Credit Flow to MSMEs – Challenges and Recommendations

Identified that lack of collateral and credit history hinders MSME access to loans. Recommended the use of cash flow-based lending, invoice discounting, and credit guarantees as risk mitigation tools.

12. Dr. A. Prasad (2017) – NPAs in MSME Sector

Found that poor initial appraisal, overestimation of cash flows, and absence of monitoring led to increasing NPAs. The study highlights that underwriting should be supported by regular post-sanction surveillance.

13. ICRA Report (2022) – SME Lending Trends

Showed that the surge in unsecured lending to SMEs has led to elevated risk levels. The report recommends tighter internal risk scoring and risk-based pricing to control future delinquency.

14. EY & FICCI (2020) – Future of Credit Risk in Indian Banking

Suggested a shift toward API-driven digital underwriting based on real-time borrower data. Advocated for AI and analytics-based credit risk models to improve loan approval accuracy and reduce manual bias.

15. Narayan & Das (2022) – Role of Credit Bureau in SME Lending

Concluded that while CIBIL and other credit bureaus aid banks in decision-making, many small borrowers still lack adequate credit history. The authors emphasized the need for bank-led initiatives to help borrowers improve their scores.

This literature collectively supports the relevance and current transformation of credit underwriting and risk management practices, especially in institutions like Axis Bank catering to the MSME segment.

Chapter-2



Company profile and Industry analysis

Introduction:

Axis Bank Limited, formerly known as **UTI Bank** (1993–2007), is an Indian multinational banking and financial services company headquartered in Mumbai. It is India's third largest private sector bank by assets and fourth largest by market capitalisation. It sells financial services to large and mid-size companies, SMEs and retail businesses.

As of 31 December 2024, Axis bank had a network of 5,706 branches and extension counters, 14,476 automated teller machines and cash recyclers. Axis bank has also nine international offices.

Type of Firm (Public Limited Company – Listed Entity)

Axis Bank Limited is a leading public sector entity in India, operating as a public limited company. It is listed on two of India's premier stock exchanges—the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE)—which enables it to raise capital from the public through equity and debt instruments. As a scheduled commercial bank, Axis Bank functions under the regulatory framework of the Reserve Bank of India (RBI), adhering to all prescribed norms for corporate governance, financial transparency, and operational prudence. As a listed entity, the bank is obligated to maintain strict disclosures regarding its financial performance, risk exposures, asset quality, and lending practices. Its shares are widely held by retail and institutional investors, both domestic and international, reflecting investor confidence in its long-term business model. The public company structure allows Axis Bank to remain agile, scalable, and accountable, supporting its objective of delivering financial services across diverse customer segments.

Its official website is www.axisbank.com.

Being a banking company, Axis Bank is regulated primarily by:

- **Reserve Bank of India (RBI)** under the Banking Regulation Act, 1949
- **Securities and Exchange Board of India (SEBI)** for its capital market operations
- **Ministry of Corporate Affairs (MCA)** for compliance with corporate laws

Structure of the Firm (Organizational Hierarchy and Divisions)

Axis Bank follows a functional organizational structure, enabling specialization, operational efficiency, and clear managerial accountability across its divisions. The bank is structured into multiple verticals, each responsible for specific segments of the financial services spectrum. The key business divisions include Retail Banking, Corporate and Commercial Banking, and Small Business Banking (SBB). Supporting functions like Risk and Compliance, Information Technology, Legal, Human Resources, and Treasury are managed as separate verticals with dedicated leadership. The hierarchical chain starts with the Board of Directors, headed by the Chairman, followed by the Managing Director and CEO, Executive Directors, and Presidents of key functions. Below them are Senior Vice Presidents, Regional Heads, Cluster Heads, Branch Heads, and front-line staff including Relationship Managers (RMs) and Credit Analysts. This functional setup ensures that each department remains focused on its core mandate while maintaining alignment with the bank's strategic goals and compliance requirements.

Capital Structure:

- Equity Share Capital: ₹613.7 Crore (FY 2023)
- Debt Instruments: Tier-I and Tier-II bonds raised for capital adequacy
- Capital Adequacy Ratio (CAR): ~17.64% (as per Basel III norms)
- The bank maintains a healthy mix of Tier I capital (equity) and Tier II capital (debt instruments) to ensure risk coverage and regulatory compliance.

Financials of AXIS BANK Ltd.

Figures as on 2025		
Revenue	₹155,917 crore	(US\$18 billion) (2025)
Operating income	₹44,888 crore	(US\$5.3 billion) (2025)
Net income	₹28,055 crore	(US\$3.3 billion) (2025)
Total assets	₹1,656,962 crore	(US\$200 billion) (2025)
Total equity	₹185,433 crore	(US\$22 billion) (2025)

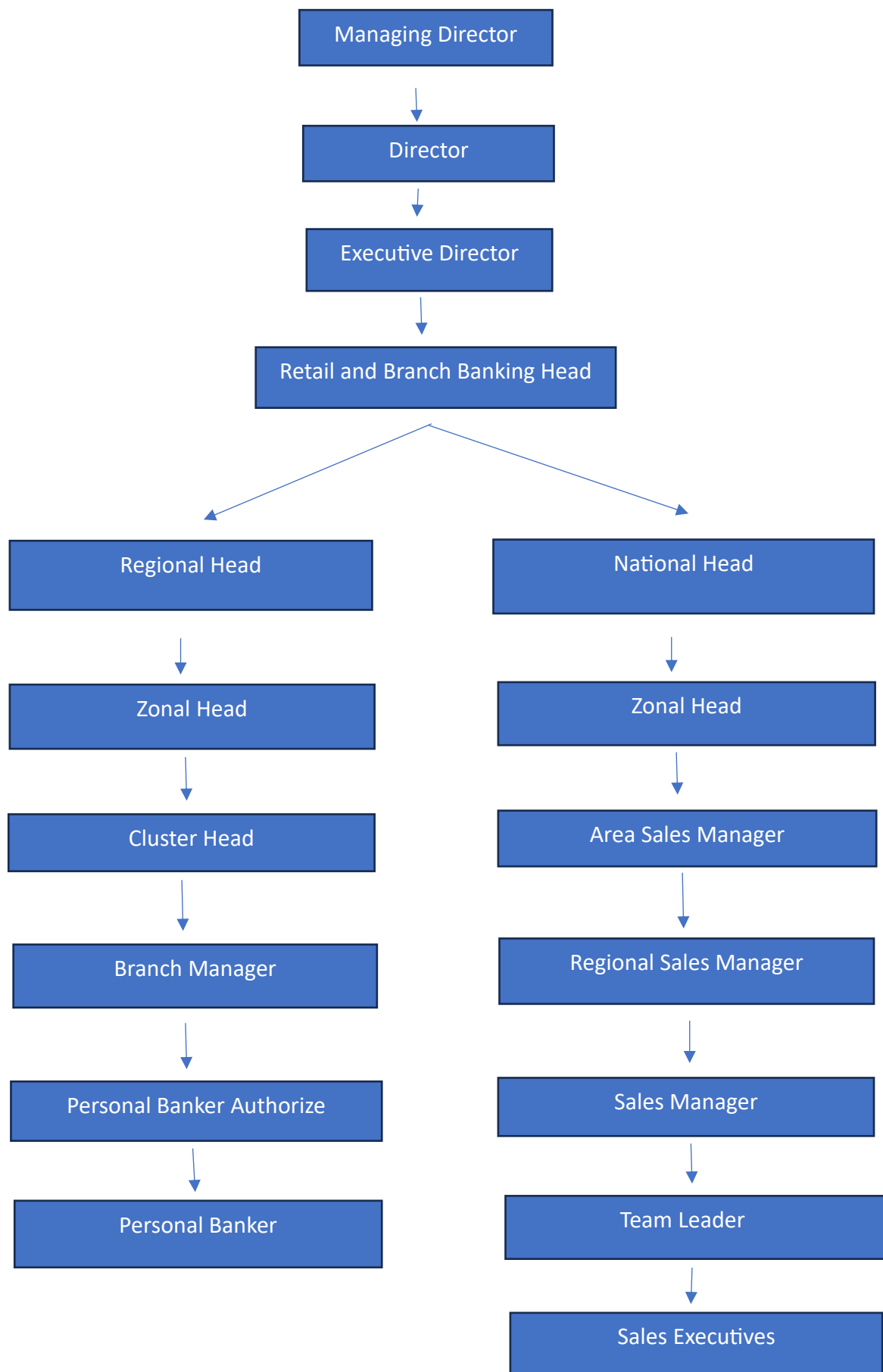
Human Resource-

Axis Bank places a strong emphasis on its Human Resource (HR) function, recognizing people as its most valuable asset. The HR framework is strategically designed to recruit, develop, motivate, and retain talent across all business functions. As of March 31, 2024, Axis Bank employed 104,633 staff members across various functions and geographies.

HR Policy-

- Talent development through Axis Bank Learning Academy
- Diversity and Inclusion initiatives
- Performance-based rewards
- Internal job postings and cross-functional mobility

Organisation Chart-



Financial Performance of Axis Bank Ltd.-

The **financial performance summary of Axis Bank** based on the Consolidated Financial Statements for the years ended **31st March 2025** and **31st March 2024**:

Category	FY 2025 (₹ Crores)	FY 2024 (₹ Crores)
Net Interest Income	1,27,374.09	1,12,759.05
Other Income	28,542.77	25,230.31
Total Income	1,55,916.86	1,37,989.36
Interest Expended	71,036.31	61,390.74
Operating Expenses	39,992.04	37,242.50
Net Profit (PBT Estimate)	44,888.51	39,356.12
Advances	10,81,229.47	9,99,333.48
Deposits	11,70,920.89	10,67,102.40
Investments	3,96,685.07	3,32,353.74
Capital Adequacy Ratio (CAR)	17.64%	17.64%
Net Block (Fixed Assets)	6,492.08	5,837.56
Total Reserves & Surplus	1,85,433.36	1,55,511.72

Key Observations:

- Net Interest Income grew by ~13%, reflecting higher lending activity.
- Deposits and advances increased significantly, indicating strong credit demand and customer confidence.
- Operating expenses rose moderately, largely due to staff costs, technology investment, and repair/maintenance.

- Investments and fixed assets saw steady expansion, pointing to long-term growth planning.
- Capital Adequacy Ratio remains robust at 17.64%, showing strong financial health.

Business Analysis

SWOT Analysis of Axis Bank Ltd.

Strengths:

1. Strong Market Position:

Axis Bank is India's third-largest private sector bank in terms of assets and market share, with a robust presence across retail, corporate, and small business segments.

2. Wide Distribution Network:

The bank has an extensive pan-India network of branches, ATMs, and digital banking services, ensuring wide customer reach and operational scalability.

3. Healthy Capital Adequacy Ratio (CAR):

With a CAR of 17.64% (FY25), Axis Bank maintains a strong financial cushion to absorb credit risk and support future lending growth.

4. Digital & Technological Advancements:

The bank is a pioneer in digital transformation, leveraging AI, analytics, and fintech partnerships to enhance customer experience, credit underwriting, and fraud prevention.

5. Diversified Loan Book:

Balanced portfolio between retail, SME, and corporate lending, which helps manage risk and reduce over-dependence on any single segment.

Weaknesses:

1. Asset Quality Concerns in MSME Segment:

Exposure to SMEs and unsecured retail credit poses higher risk, especially in periods of economic slowdown or external shocks.

2. High Operating Costs:

Significant rise in operational expenses due to technology investments, compliance requirements, and network expansion impacts profitability margins.

3. Dependence on Interest Income:

Despite growing fee-based services, the bank still derives a large portion of income from interest, which is sensitive to rate changes and inflation.

4. Integration Risks (Post-Acquisitions):

Acquisitions like Citibank's India Consumer Business pose integration challenges in terms of culture, systems, and operational synergy.

Opportunities:

1. Growth in Digital & Neo-Banking:

Rising adoption of digital banking in India offers Axis Bank a huge opportunity to expand low-cost customer acquisition and fintech collaboration.

2. SME & Agri Lending Expansion:

Government focus on MSMEs and priority sector lending provides policy-driven opportunities for Axis Bank to grow in untapped geographies.

3. Wealth Management & Investment Banking:

With increasing financial literacy and high-net-worth individuals, there's strong potential in wealth, insurance, and capital markets business.

4. Global Expansion & Cross-Border Financing:

Axis Bank can scale its overseas operations in trade finance and NRI services, leveraging its existing base in international financial centers.

Threats:

1. Intense Competition:

Competes with aggressive private banks (e.g., HDFC, ICICI), fintechs, NBFCs, and even public sector banks in retail and SME space.

2. Macroeconomic Volatility:

Inflation, interest rate volatility, and global crises (like oil shocks or geopolitical tension) may affect credit quality and loan demand.

3. Regulatory Changes:

Frequent updates in RBI norms, Basel III guidelines, and ESG compliance may require ongoing resource allocation and operational adjustments.

4. **Cybersecurity Risks:**

As digital transactions rise, cyber threats and data breaches become significant risks requiring continuous tech investment and vigilance.

4Ps of Axis Bank – Small Business Banking (SBB) Sector

1. Product

Axis Bank SBB provides a wide range of financial products and services tailored for MSMEs and small businesses, including:

- Working Capital Loans (Cash Credit, Overdrafts)
- Term Loans (for machinery, expansion, etc.)
- Business Loans without Collateral under CGTMSE
- Bill Discounting & Trade Finance (LCs, BGs)
- Cash Management Services (CMS)
- Current Accounts for Businesses
- POS & Payment Gateway Solutions
- Digital Lending Platforms (e.g., Loan Assist, SME Insta Loan)
- GST-linked Loans and Bank Statement-based Credit Assessment
- Supply Chain Finance for distributors and vendors

Value-add Services:

- Dedicated Relationship Managers
- Credit advisory and documentation support
- Customised repayment plans

2. Price

Axis Bank uses competitive and risk-based pricing strategies for SBB clients:

- **Interest Rates:** Based on credit profile, CIBIL score, business turnover, and collateral. Typically ranges from 8% to 18% p.a.

- **Processing Fees:** Around 1%-2% of the sanctioned amount (can vary based on loan product and amount)
- **Zero Balance or Low Balance Accounts** offered with bundled services for small businesses
- Special **fee waivers** and **discounted charges** for digital transactions and bundled loan products
- **Tiered pricing** based on turnover, vintage, and risk rating of the borrower

This pricing strategy helps attract both high-credit and underserved MSMEs while ensuring profitability and risk control.

3. Place

Axis Bank ensures deep geographic and digital penetration to serve the SBB segment:

- Over **5,000+ branches and 15,000+ ATMs** across India
- **Dedicated SBB Relationship Teams** in metros, Tier-2 & Tier-3 cities
- **Digital Lending Platforms** – customers can apply for loans or services online via:
 - Axis Mobile App
 - Internet Banking
 - SME Loans Portal
- **API Banking and Fintech Partnerships** for embedded finance
- Coverage extended to rural areas through **Business Correspondents (BCs)** and **Micro-Banking Outlets**

4. Promotion

Axis Bank promotes its SBB services through a 360-degree marketing strategy:

- **Digital Campaigns:** Social media ads, email campaigns, Google search ads focused on MSME credit awareness
- **TV and Print Ads:** Focused on entrepreneurship, ease of doing business, and quick loan processing

- **Branch-level Promotions:** Brochures, kiosk displays, banners, and direct SME outreach programs
- **Partnerships:** Ties with industry associations, CA firms, fintechs, and trade portals to onboard clients
- **Events & Webinars:** SME financing webinars, local business meets, and Axis SME forums
- **Referral Programs:** For existing clients to bring in new businesses

Industry Analysis – Axis Bank Ltd. (Indian Banking Sector)

Industry Overview

The **Indian banking industry** is a mix of public sector banks (PSBs), private sector banks, foreign banks, and regional rural banks. As of 2025:

- The industry is regulated by **the Reserve Bank of India (RBI)**.
- India has a high banking penetration, aided by Jan Dhan Yojana, fintech growth, and digital adoption.
- The sector is witnessing rapid digital transformation, increased focus on financial inclusion, and strong competition among private players.

Axis Bank operates in this environment as the third-largest private sector bank by assets and a leader in digital and retail banking innovations.

Porter's Five Forces Analysis

1. Competitive Rivalry – HIGH

- Axis Bank faces intense competition from other private banks (HDFC, ICICI, Kotak), PSBs (SBI, PNB), and NBFCs.
- The digital push by fintechs and neobanks also adds to the pressure.
- Product differentiation is low in basic services (savings, loans), increasing the importance of customer experience, pricing, and technology.

2. Threat of New Entrants – MODERATE

- High capital requirements and strict RBI licensing norms limit new banks.
- However, fintech startups and payment banks are disrupting the industry by offering niche financial products and digital-first experiences.
- Axis Bank counters this by partnering with fintechs and enhancing digital capabilities.

3. Bargaining Power of Customers – HIGH

- Retail and SME customers have multiple options, leading to increased price sensitivity.
- Digital platforms allow customers to compare interest rates, charges, and services instantly.
- Axis Bank differentiates by offering bundled services, loyalty benefits, digital convenience, and faster loan processing.

4. Bargaining Power of Suppliers – LOW

- For banks, suppliers are mainly depositors and capital providers.
- With abundant liquidity and low switching cost for depositors, banks must offer competitive interest rates.
- Regulatory capital requirements also mean dependency on institutional investors for Tier I/II capital, but supplier power remains low overall.

5. Threat of Substitutes – MODERATE to HIGH

- Non-banking alternatives like NBFCs, fintech lenders, digital wallets, and peer-to-peer lending platforms offer similar financial services.
- Axis Bank mitigates this by investing in partnerships, embedded finance models, and expanding SME offerings like SBB loans.

Market Trends Influencing Axis Bank's Strategy

Trend	Impact on Axis Bank
Digital Banking Growth	Axis Bank is a leader in digital onboarding, Insta-loans, mobile banking.
SME Lending Boom	SBB (Small Business Banking) is a focused vertical for Axis Bank.
Fintech Collaboration	Axis partners with fintech for digital credit, account aggregation.
ESG & Green Banking	Expanding green loan portfolio and publishing ESG reports.
Regulatory Tightening	RBI norms on provisioning, risk weightage affect credit strategies.

Chapter III: Competitor Analysis

Overview

In the competitive landscape of Small Business Banking (SBB) in India, Axis Bank is a major private sector player catering to the MSME (Micro, Small & Medium Enterprises) segment. With increasing demand for working capital, term loans, and overdraft facilities, banks are adopting innovative approaches to differentiate their products. Key competitors of Axis Bank in the SBB segment include:

- **HDFC Bank**
- **ICICI Bank**
- **Kotak Mahindra Bank**
- **State Bank of India (SBI)**

This chapter compares Axis Bank's SBB offerings against competitors in terms of loan features, risk assessment, digital enablement, turnaround time (TAT), customer servicing, and pricing.

Key Products Offered in SBB Segment

Product Category	Key Offerings
Working Capital Loans	Cash Credit (CC), Overdraft (OD), Invoice/Receivable Finance
Term Loans	For asset purchase, expansion, project finance
Trade Finance	Letter of Credit, Bank Guarantee
Business Credit Cards	SME Credit Card, Business Platinum Card
Supply Chain Financing	Channel Finance, Dealer/Distributor Finance
Digital Lending	Insta OD, Pre-approved Loans, GST-based loans
Secured/Unsecured Loans	Based on credit score, business turnover

Product Features Matrix (Axis Bank vs Competitors)

Feature/Bank	Axis Bank	HDFC Bank	ICICI Bank	Kotak Bank	SBI
Working Capital Loans	Custom CC/OD	OD Limit linked to turnover	OD + Bill Discounting	OD/CC with relaxed documentation	OD/CC with Govt. linkage
Unsecured Business Loans	Up to ₹50 Lakhs	Up to ₹40 Lakhs	Up to ₹50 Lakhs	Up to ₹30 Lakhs	Mudra/CGTMSE based
Loan Against Property (LAP)	Term loan + OD	Flexi LAP	Term + OD	Hybrid LAP	Long TAT
Turnaround Time (TAT)	5–7 Days	5–10 Days	3–5 Days	7–10 Days	10–15 Days
Digital Loan Application	Axis Mobile / Web	Business Banking App	InstaBiz App	Kotak Biz	Limited
CIBIL/GST Based Underwriting	Yes	Yes	Yes	Yes	Manual Process
Business Credit Card	Yes	Yes	Yes	Yes	Yes
Collateral-free Schemes (CGTMSE)	Available	Available	Available	Available	Strong Access
Customer Segmentation	Turnover > ₹40L	Turnover > ₹50L	Turnover > ₹25L	Turnover > ₹40L	MSME priority

Feature/Bank	Axis Bank	HDFC Bank	ICICI Bank	Kotak Bank	SBI
Risk-based Pricing	Yes (Internal score + CIBIL)	Yes	Yes	Yes	Fixed

Differential Analysis – Axis Bank SBB vs Competitors

1. Product Innovation

- Axis Bank offers dynamic products like Insta OD, Insta MSME, and Term Loans linked to GST data, which are more tech-integrated than SBI or Kotak's offerings.
- It has specialized products for women entrepreneurs, new-age startups, and informal businesses that qualify through bank statement and CIBIL scores.

2. Digital Capability

- Axis Bank's digital onboarding and credit underwriting platform are advanced. It allows e-KYC, document upload, and loan disbursement tracking online.
- Competitors like ICICI Bank (InstaBiz) and HDFC Bank also offer strong digital interfaces, while SBI lags behind in fully automated onboarding for small businesses.

3. Underwriting Speed & Process

- Axis uses internal rating models (like CMR) combined with CIBIL & GST to assess risk, giving it an edge in faster approvals (within 5–7 days).
- Kotak and HDFC have slightly longer TAT due to additional field verifications, while SBI follows a slower, manual-heavy underwriting process.

4. Pricing and Loan Structuring

- Axis practices risk-based pricing—offering better rates to better-rated borrowers.
- SBI, in contrast, follows more fixed-rate or slab-based pricing under govt. schemes.
- Kotak's pricing is aggressive but limited by smaller branch reach.

5. Market Positioning

- Axis Bank positions itself as a digitally enabled MSME lender, combining technology with relationship management through RM visits and credit managers.
- ICICI and HDFC focus more on urban MSMEs, whereas SBI caters to semi-urban/rural businesses through government mandates.

Challenges from Competitors

Competitor	Key Strengths	Challenges for Axis Bank
HDFC Bank	Brand strength, digital edge, low NPA	Competes in top-tier MSMEs
ICICI Bank	Fast disbursal, strong digital onboarding	Similar product suite, price wars
Kotak Bank	Custom LAP, hybrid loans	Smaller customer base, yet growing
SBI	Govt scheme access, mass customer base	Rural dominance, but tech lagging

Axis Bank's SBB division holds a strong position in the private sector MSME lending space, driven by digital innovation, internal rating models, and a customer-centric approach. While competitors like ICICI and HDFC Bank offer stiff competition in urban MSME markets, Axis differentiates through tailored credit structures and risk-based pricing. Public sector players like SBI dominate in volume but lag in agility and turnaround time.

For sustained leadership, Axis Bank must continue investing in analytics, relationship management, and rural penetration to capture underserved MSME segments.

Chapter -IV

Who is the Customer?

Current Customers

- Existing Axis Bank account holders with MSME operations (turnover up to ₹250 Cr).
- Retail business owners, manufacturers, wholesalers, traders, service providers.
- Clients already availing banking services like current accounts, GST-linked accounts, POS machines, and business credit cards.

Potential Customers

- MSMEs banking with other banks (HDFC, ICICI, SBI, NBFCs).
- Entrepreneurs new to formal credit (first-time borrowers with strong business performance).
- GST-compliant firms with stable banking habits but no credit history.

Competitor's Customers

- Borrowers of HDFC Business Loans (with balance transfer potential), ICICI OD Limit (seeking top-up), NBFC (like Lending kart, Indifi – higher interest rate customers)
- Such customers are targeted for balance transfer offers, top-up loans, or better terms via pre-approved credit models.

Non-Customers of Product Category

- Businesses still using informal borrowing (moneylenders, chit funds), trading in market.
- MSMEs using personal loans or gold loans for business expenses.

Who Buys, Influences, and Consumes?

Role	Description
Buyer	Business Owner/Promoter signs and agrees to the loan.
Influencer	Chartered Accountant, Consultant, Relationship Manager.

Role	Description
User/Consumer	The business unit utilizes funds for operations, stock, or expansion.

Reference Groups Influencing Purchase

- 1. CA or Financial Advisor**-Recommends banks based on documentation ease, ROI, and turnaround time.
- 2. Peer Business Owners / Industry Group**-Word-of-mouth referrals influence decision.
- 3. Family**-In family-run businesses, elders or partners help decide loan amounts or tenure.
- 4. Relationship Manager (RM)**-RM explains credit score requirements, eligibility, and EMIs, builds trust through personalized proposals and onboarding support.

Specific Factors Influencing Customer Behaviour (CB)

1. Cultural Factors

Cultural norms heavily influence borrowing behaviour among MSMEs, especially in Tier II/III towns.

- **Regional Lending Culture:** Preference for public banks still dominates in rural areas, but private bank trust is growing.
- **Religious Beliefs:** Some avoid conventional loans due to interest-related concerns and opt for NBFCs or community financing.
- **Risk Appetite:** Traditional business families often hesitate to take formal credit, fearing debt burden.

2. Social Factors

MSME owners are influenced by their business ecosystem and peer advice.

- **Peer Influence:** Business owners mimic others using Axis OD/WC limits within their community.
- **CA Recommendations:** Chartered accountants have a strong say in bank selection and documentation.

- **Family Decisions:** In joint businesses, financial decisions involve co-promoters or elder family members.
- **Business Groups:** Informal networks influence product choice based on shared experience and RM connections.

3. Personal Factors

Individual circumstances define how confidently and quickly a customer moves through the loan process.

- **Age & Experience:** Younger borrowers are tech-savvy and prefer digital onboarding with minimal paperwork.
- **Financial Literacy:** Knowledge of credit reports, EMIs, and ROI accelerates application and approval.
- **Income Level:** Higher turnover businesses expect larger limits and faster disbursal.
- **Credit Score:** A strong CIBIL score boosts confidence and improves negotiation power with the bank.

Buying Decision-Making Process (SBB Loans)

1. Need Recognition

The customer identifies a need for working capital, business expansion, or debt restructuring.

2. Information Search

The borrower consults chartered accountants (CAs), peers, or online sources to compare banks, interest rates, and documentation needs.

3. Evaluation of Alternatives

Comparison across lenders (e.g., Axis Bank, ICICI, SBI, NBFCs) based on ROI, processing time, service, and relationship manager (RM) behavior.

4. Purchase Decision

The customer chooses Axis Bank based on credibility, loan features, and RM support. The underwriting team evaluates eligibility, credit score, financials, and industry risk.

5. Post-Purchase Evaluation

The borrower evaluates the ease of EMI, branch support, and RM responsiveness post disbursement, impacting future renewal or referrals.

Customer Involvement

In the Axis Bank SBB segment, customer involvement is generally moderate to low due to limited financial awareness and product knowledge. Most MSME borrowers come from non-financial backgrounds and depend on relationship managers (RMs), chartered accountants, or peers to make loan-related decisions.

- **Low Involvement (Majority Customers):**

Many customers are unfamiliar with loan products, documentation, or technical terms like working capital assessment, CIBIL score interpretation, or credit rating. They often rely entirely on RMs or external advisors (CAs) to guide them through the loan process. This makes them passive participants in underwriting discussions.

- **Moderate Involvement (Some Educated Business Owners):**

A few semi-urban or digitally aware borrowers have a basic understanding of EMIs, interest rates, or required documents. They ask limited but relevant questions, especially around ROI and loan limits.

- **High Involvement (Only ~5% Customers):**

These are financially literate MSMEs, often located in urban clusters or tech-driven businesses. They actively compare products, check CIBIL reports, calculate cash flows, and ask for custom structuring. Their involvement aids the underwriting process and speeds up sanctioning.

Where Customers Buy (Loan Products)

B2B (Business-to-Business)

- **Target Customers:** MSMEs, Traders, Distributors, Manufacturers, and Service Providers.
- These businesses approach Axis Bank for **Working Capital Loans**(Overdrafts, Cash Credit, and Term Loans)to meet operational needs.

Channels (Online)-

Online / Digital Platforms:

- Axis Bank's Digital Loan Portal and Banking App support existing customers for top-ups, document uploads, and status tracking.

When Customers Buy (Loan Timing Behaviour)

Understanding customer behaviour in terms of when they seek loans is crucial for credit underwriting and risk analysis.

-Loan requirements vary based on the business life cycle:

Start-up Phase: Limited or no credit history, high-risk.

Growth Phase: High demand for working capital, usually eligible for CC/OD.

Mature Phase: Steady cash flow, higher ticket size loans.

Decline Phase: Risk of NPA increases; cautious underwriting needed.

-Festival or Event-Based

- Demand rises before major festivals (Diwali, Eid, Christmas) or financial year end.
- Loan applications increase due to stock buildup, promotional offers, or government schemes.
- Need for quick underwriting turnaround during these periods.

Will They Buy Again? (Repeat Borrowing Behaviour)

Repeat Borrowing Behaviour

- Many MSME borrowers return for:
 - Renewal of Cash Credit (CC) or Overdraft (OD) limits
 - New term loans for expansion
 - Enhancement of loans
- Their decision to borrow again depends on:
 - Loan disbursement experience

- Interest rate & charges transparency
- Ease of document process
- Relationship with RM or branch staff

Customer Satisfaction-

Satisfaction

- Customers are generally satisfied when:
 - Loans are sanctioned on time
 - Communication is clear and prompt
 - Repayment terms are flexible
 - There is ongoing branch support

Chapter – V

Actual Work Done

This chapter highlights the actual work done during my six-week internship at Axis Bank Loan Centre, in the Credit Underwriting Department. The internship provided hands-on exposure to the entire loan lifecycle, from lead generation to post-disbursement monitoring. It allowed me to gain practical insights into MSME lending, risk assessment, documentation, and operational processes involved in working capital loan sanctioning.

WEEK-1

During the first week of my internship at Axis Bank Loan Centre, I completed the formal orientation and joining procedures. I attended introductory sessions conducted by Area Credit Managers, Senior Credit Manager and Credit Manager, which provided a detailed understanding of the bank's organizational structure and the various departments involved in the lending process. These included Business/sales, Credit, Risk, Operations, Legal, the Fraud Control Unit (FCU), the Collections, Product & Policy Department.

I was introduced to the complete loan lifecycle, beginning from lead generation and customer login to credit underwriting, loan sanctioning, disbursement, and post-sanction monitoring. Additionally, I gained valuable insights into the wide range of financial products offered by Axis Bank to Micro, Small, and Medium Enterprises (MSMEs). These products include Fund based loans (Working Capital Loans such as Cash Credit (CC) and Overdraft (OD), Term Loans, both Secured and Unsecured Business Loans, Channel Finance), Non-fund Based loans (Letter of Credit, Letter of Credit Buyers Note, Bank Guarantee, Packing & Forwarding Credit). This foundational week helped me understand the key functions of the loan centre and set the stage for deeper learning in the subsequent weeks.

WEEK-2

Interaction with Business Team – Lead Generation to Login

Step 1: Identifying Prospects – DSA & Branch Vertical

At Axis Bank, the first step in generating Unsecured Business Loan (UBL) leads is identifying potential borrowers through two main verticals: the DSA (Direct Selling Agent) channel and the Branch Business vertical. DSAs and Business Correspondents operate in business hubs,

market areas, and semi-urban clusters to source MSME borrowers such as traders, service providers, and shop owners. Simultaneously, branch staff generate leads from walk-in customers, existing savings/current account holders, and inquiries routed through digital platforms.

Step 2: Lead Generation and Conversion to Customer

Leads are generated using multiple channels such as tele-calling, DSA field sourcing, CRM databases, and digital marketing. These leads are qualified based on key parameters like business vintage (minimum 3 years), CIBIL score (preferably above 700), annual turnover, and availability of financial documents. The sales or RM team follows up through phone calls, field visits, and document assistance, ensuring that eligible prospects are successfully converted into customers.

Step 3: Documentation

The documentation process is crucial in Axis Bank's loan cycle, as it ensures accurate assessment of borrower eligibility. Key documents include KYC, business proof (like GST or Udyam registration), and financials such as GST returns, bank statements, and ITRs. Documents are verified for accuracy before login. Proper documentation minimizes risk, ensures compliance, and speeds up the credit appraisal process.

Step 4: Login into Bank's System (LOS/SFDC)

Once the lead is ready, the case is logged into Axis Bank's internal platform—Loan Origination System (LOS) and SFDC. This system captures detailed customer information, integrates with credit bureaus for automated score fetching, enforces policy checks, and ensures digital document uploads. The LOS/SFDC enables seamless coordination between sales, credit, and operations teams, providing complete visibility, policy compliance, and timely processing throughout the loan cycle.

WEEK-3

Credit Underwriting and Risk Management Process at Axis Bank

1. Application Check & Verification

The process begins with a thorough review of the loan application form submitted by the customer. All required documents—including KYC (Aadhaar, PAN, photographs), business proof, and address proof—are verified to ensure completeness and accuracy.

Any mismatch or missing information is flagged for correction before proceeding further.

2. CIBIL and CMR Check

The next step involves evaluating the creditworthiness of the applicant. This is done by checking their CIBIL score (for individuals) and CMR rating (Commercial Credit Report for businesses). A high CIBIL score (typically 700+) and favourable CMR (ideally CMR-1 to CMR-4) indicates a good repayment history and lower credit risk.

3. Field Investigation

Axis Bank conducts a field investigation through third-party verification agencies. This includes a physical visit to the business premises as well as residence to verify operational status, ownership, and customer credibility. Photos of the shop/office and local feedback may also be collected to validate the declared business details.

4. Financial Analysis – P&L and Balance Sheet Check (Last 3 Years)

The bank assesses the borrower's financial strength by analysing profit and loss accounts, balance sheets, and computation of income for the past three years. Key indicators like turnover, net profit, current ratio, debt-equity ratio, and cash flows are examined to evaluate repayment capacity.

5. Bank Statement Verification (Last 12 Months)

A detailed review of the borrower's bank account statements for the last 12 months is conducted. This helps assess the cash inflows/outflows, average monthly balance, frequency of high-value transactions, cheque returns, and overall fund management habits. Consistent credits and stable balances reflect strong business operations.

6. Internal Checks – Hunter Verification

Axis Bank uses the Hunter system, an internal fraud detection tool that checks for data duplication, false declarations, and past fraudulent attempts. This check helps identify whether the applicant has applied for loans with multiple banks simultaneously or provided mismatched personal/business details.

7. Personal Discussion (PD)

A Personal Discussion is conducted by the Credit Managers either through a physical visit or telephonic conversation with the applicant. This interaction helps validate the

business model, monthly revenue, customer base, cost structure, and purpose of the loan. It also provides qualitative insights into the borrower's intent and character.

8. BQS (Bureau Query Summary) Check

The BQS report reflects whether the customer's name is in RBI defaulters list, RBI caution list, terrorist list, RFA list etc.

9. Internal checks, dedupe & rating

We do internal checks like GST, PAN, VAT, UDYAM, LEI Check, CA membership check, UDIN, CRILIC, PROBE 42, MCA, external rating if any available etc.

If loan amount is more than 5 crores, Credit Managers do internal rating in RAM/ICON portal.

10. Legal & Technical verification

In case of secured WC loans, we take the help of third party i.e. technical agencies to know the value of the collateral and legal agencies to check whether the title of the property is clear or not & property can be mortgage or not. Generally, non-agricultural properties where SARFAESI act can be implemented are accepted as collateral.

Accepted collateral are- Residential property, Commercial property, Industrial property, Vacant land.

11. Preparation of CAM (Credit Appraisal Memo)

After all checks are completed, a Credit Appraisal Memo (CAM) is prepared by the credit officer. It consolidates all findings—financial analysis, risk assessment, credit score, PD feedback, security details, business & industry details, and field visit report—into a structured format. This document is reviewed by the credit approving authority. It also includes the terms & conditions to be complied by customer prior to disbursement and some post disbursement conditions are also imposed.

12. Sanctioning of the Loan (Put-up for Approval)

Once the CAM is finalized, the file is "put up" for sanction to the designated approving officer as per the sanction matrix. The authority level depends on the loan amount, risk grade, and borrower profile. If approved, the file moves to the disbursement stage; if rejected or queried, it is sent back for review or clarification.

WEEK-4

Working on a case study of XYZ Pvt Ltd.

Company Name: XYZ Pvt Ltd.

- **Nature of Business:** Manufacturing
- **Vintage:** 7 years
- **Ownership:** Private Limited Company
- **Turnover:** ₹4476.83 Lacs

Step-by-Step Credit Underwriting & Risk Management Process

1. Application Check & Document Verification

Assumed to be complete and proper as part of the process — no red flags mentioned.

2. CIBIL & CMR Check

CIBIL = 753,760 and CMR 1.

3. Field Investigation

Completed satisfactorily by FI agency. No inconsistencies in business activity.

4. Financial Analysis – Last 3 Years - FY2024

[illegible]

PARTICULARS	Rs.	P.	PARTICULARS	Rs.	P.
To Opening Stock	72,572,604		By Sales	447,683,221	
To Purchases	439,064,234		By Closing stock	86,434,410	
To Direct Expenses	6,715,872				
To Gross Profit	15,764,921				
	534,117,631			534,117,631	
To Salary	1,465,500		By Gross Profit b/d	15,764,921	
To Bonus	121,500		By Credit Note	3,375,130	
To Rent	613,345				
To Bank Charges	107,913				
To Bank interest	4,382,596				
To Computer expenses	11,550				
To Discount allowed	118,658				
To Interest on Loan	2,744,728				
To Electricity Expenses	362,830				
To Repair and Maintenance	1,255,558				
To Legal Expenses	6,750				
To Professional Fees	18,000				
To Professional Tax	8,000				
To Printing & Stationary	13,500				
To Depreciation	1,872,296				
To Audit Fee	38,000				
To Hydra Charges	233,320				
To Insurance Charges	78,085				
To Miscellaneous Expenses	87,643				
To Office Expenses	531,697				
To Fuel Expenses	53,420				
To Security Service Charges	30,000				
To Net Profit	4,985,162				
	19,140,051			19,140,051	

FY2023

[illegible]

PARTICULARS	Rs.	P.	PARTICULARS	Rs.	P.
To Opening Stock	7,59,31,013		By Sales	43,96,05,569	
To Purchases	41,52,86,684		By Closing stock	7,25,72,604	
To Direct Expenses	58,08,602				
To Gross Profit	1,51,51,873				
	<u>51,21,78,173</u>			<u>51,21,78,173</u>	
To Salary	13,64,500		By Gross Profit b/d	1,51,51,873	
To Bonus	1,02,500		By Credit Note	42,04,956	
To Rent	6,00,000				
To Bank Charges	79,698				
To Bank interest	28,11,259				
To Computer expenses	7,044				
To Discount allowed	4,37,455				
To Interest on Loan	66,54,056				
To Electricity Expenses	1,96,796				
To Repair and Maintainance	5,55,154				
To Professional Fees	28,000				
To Professional Tax	7,000				
To Printing & Stationary	5,500				
To Depreciation	9,23,734				
To Audit Fee	35,000				
To Hydra Charges	6,50,000				
To Insurance Charges	9,440				
To Miscellaneous Expenses	27,253				
To Office Expenses	1,12,473				
To Property Tax	9,188				
To Security Service Charges	36,000				
To Service Connection Charges	16,964				
To Net Profit	46,87,816				
	<u>1,93,56,830</u>			<u>1,93,56,830</u>	

FY2022

[illegible]

PARTICULARS	Rs.	P.	PARTICULARS	Rs.	P.
To Opening Stock	4,40,67,607		By Sales	24,07,54,832	
To Purchases	25,64,63,529		By Closing stock	7,59,31,013	
To Direct Expenses	24,10,394				
To Gross Profit	1,37,44,316				
	31,66,85,846			31,66,85,846	
To Salary	13,56,000		By Gross Profit b/d	1,37,44,316	
To Bonus	1,03,000		By Credit Note	12,50,655	
To Rent	12,41,907				
To Bank Charges	56,502				
To Bank interest	12,09,700				
To Computer expenses	1,300				
To Discount allowed	2,55,028				
To Interest on Loan	54,78,215				
To IDCO Transfer Fees	8,76,150				
To IDCO Property Processing Fees	7,210				
To Electricity Expenses	33,826				
To Repair and Maintainance	2,02,814				
To Professional Fees	14,000				
To Professional Tax	10,000				
To Printing & Stationary	3,840				
To Shop Expenses	49,532				
To Depreciation	7,72,967				
To Audit Fee	30,000				
To Trade License	5,000				
To Hydra Charges	4,00,000				
To Travelling Expenses	27,976				
To Insurance Charges	6,600				
To Mobile Software	4,800				
To JSW Software	6,000				
To Miscellaneous Expenses	3,408				
To Net Profit	28,39,195				
	1,49,94,971			1,49,94,971	

Financial Analysis & Key Ratios

Firm Name- XYZ Ltd.							
Analysis of Financial Statements- Profit & Loss a/c	Audited/Unaudited		Audited/Unaudited		Audited/Unaudited		
	31.03.2024		31.03.2023		31.03.2022		
	Rs. Lacs		Rs. Lacs		Rs. Lacs		
Profit & Loss Account	Audited	% Growth	Audited	% Growth	Audited	% Growth	
Net Sales (Net of excise)	4476.83	2%	4396.05	83%	2407.54		0
Other Income (Directly related to Business)	0		0		0		
Total Income	4476.83		4396.05		2407.54		
Non business income to be removed from Income & Profit	0		0		0		
Raw Material Cost	4252.02		4186.45		2246		
Manufacturing expenses	67.15		58.08		24.1		
Wages	0		0		0		
Gross Profit	157.66		151.52		137.44		
Interest Income	0		0		0		
Other Income (Incidental to business)	33.75		42.04		12.51		
Profit from sale of Fixed Assets/Investments	0		0		0		
Expenses	51.58	21%	42.8	-9%	46.97		
Administrative Expenses	51.58		42.8		46.97		
Selling & Distribution Expenses	0		0		0		
Loss from sale of Fixed Assets/Investments	0		0		0		
PBDIT	139.83	-7%	150.76	46%	102.98		
Depreciation	18.72		9.23		7.72		
Interest on CC/OD	43.82		28.11		12.09		

Interest on Term Loans	0		0		0		
Interest to private parties	27.44		66.54		54.78		
Non cash expenses (provision, Bad Debts, write off)	0		0		0		
Profit Before Tax	49.85	6%	46.88	65%	28.39		
Tax	7.199		6.770		4.1		
PAT	42.65		40.11		24.29		0
Cash Profits	61.37	24%	49.34	54%	32.01		
Salary to Partner/Director (for add back)	0		0		0		
Interest Expenses paid to partners (for add back)	0		0		0		
Actual Cash Profit	61.371		49.340		32.01		
Firm Name- XYZ Ltd.							
Analysis of Financial Statements Balance Sheet							
	Audited/Unaudited		Audited/Unaudited		Audited/Unaudited		
Balance Sheet	31.03.2024		31.03.2023		31.03.2022		
	Rs. Lacs		Rs. Lacs		Rs. Lacs		
Share Capital	197.31		165.3		132.93		
Reserves & Surplus (excluding revaluation reserve)	0		0		0		
Total Networkth	197.31	19%	165.3	24%	132.93		
Revaluation Reserve	0		0		0		
Adjusted Networkth	775.81		607.41		639.03		
Long Term Loans from Banks/Fl	0		0		0		
Working Capital Limits from Banks/Fl's	687.65		472.25		450.11		
Total Borrowings from banks/Fl/NBFC'S	687.65		472.25		450.11		

Unsecured loans (Banks & FI)	0		0		0		
Unsecured loans from partners/shareholders	578.5		442.11		506.1		
Unsecured loans from private parties	0		0		0		
Deferred tax Liability	0		0		0		
Current Liabilities & Provision	792.04		542.24		451.2		
Creditors	100.3		62.3		0.24		
Advance from Customers	0		0		0		
Provisions	0		0		0		
Other Liabilities	4.09		7.69		0.85		
Total Liabilities to outsiders	792.04		542.24		451.2		
Balance Sheet Total	1567.85		1149.65		1090.23		
Fixed Assets less depreciation	288.51		238.54		178.86		
Investments	0		0		0		
Group Co. Investments	0		0		0		
Unquoted/Dead Investments	0		0		0		
Non Current Assets	36.26		34.8		33.35		
Deferred Tax Asset	0		0		0		
Current Assets	1243.08		876.31		878.02		
Liquid/Marketable Investments	0		0		0		
Inventories	864.34		725.72		759.31		
Receivables Debtors	323.62		95.59		52.73		
Debtors > 6 months	0		0		0		
Debtors <6 months	323.62		95.59		52.73		
Cash and Bank	1.56		0.94		0.71		
Other Current Assets	53.56		54.06		65.27		
Loans & Advances	0		0		0		
Loans & Advances given to directors/partners etc	0		0		0		
Loans and Advances given to others	0		0		0		

Misc Expenses (DRE+Preop+Preliminary+Acc P&L)	0		0		0		
Balance Sheet Total	1567.85		1149.65		1090.23		
Diff.	0		0		0		
Firm Name- XYZ Ltd.							
Ratio Analysis							
	31.03.2024 Rs. Lacs		31.03.2023 Rs. Lacs		31.03.2022 Rs. Lacs		
Average Collection Period	26.000		8.000		8.000		
Average Payment Period	8.610		5.432		0.039		
Average Days in Inventory	73.043		62.407		122.086		
Working Capital Gap	90.433		64.975		130.047		
Inventory to Cost of Goods Sold	0.203		0.173		0.338		
Current Ratio	1.569		1.616		1.946		
Liquidity Ratio	0.478		0.278		0.263		
Debt Equity Ratio	3.485		2.857		3.386		
TOL/TNW (with Quasi Equity)	1.021		0.893		0.706		
TOL/TNW (without Quasi Equity)	4.014		3.280		3.394		
Interest Coverage Ratio	1.962		1.593		1.540		
DSCR	3.191		5.363		8.518		
Gross Profit Margin Ratio	3.52%		3.45%		5.71%		
Net Profit Margin Ratio	0.95%		0.91%		1.01%		
Cash Profit Ratio	1.37%		1.12%		1.33%		
Growth in Sales	0.018		0.826		#DIV/0! !		
Growth in Net Profits	0.063		0.651		#DIV/0! !		

6. Bank Statement Verification

Provided — assume **stable cash flows** due to consistent cash profit increase.

7. Internal Check – Hunter, PD & BQS

Assume all clear (not flagged).

Satisfactory.

8. Legal & Technical Verification

Not applicable here as no secured loan/collateral mentioned.

Assume it's a clean working capital loan (Unsecured), supported by financials.

9. Internal Rating in RAM/ICON

With loan exposure assumed < ₹5 Cr, internal rating might not be mandatory.

Still, based on financials, rating may fall in Moderate Risk (SME 2 or 3).

10. CAM Preparation & Approval

CREDIT APPRAISAL MEMO (CAM) – SUMMARY SHEET

Firm Name: XYZ Ltd.

Date of Appraisal: 28th July 2025

Facility Requested: Fresh Working Capital Limit

Facility proposed: Cash Credit (Unsecured)

Amount Requested: ₹450.00 Lakhs

Proposed Limit: ₹450.00 Lakhs

Banking with: Axis Bank Ltd.

- Borrower Profile

- Business Activity: Manufacturing of steels, deals with wholesale
- Business Vintage: More than 3 years
- Constitution: Private Limited Company
- PAN, GST, UDYAM verified: Yes
- CMR Score: 1

- CIBIL Score (Director/Guarantor): >750, 760

-Director and Shareholding details

Sl no.	Name	Director	Shareholder	Shareholder (%)	DIN No.
1	Shubhashree Panda	Yes (F)	No	0	102587
2	Prachet Sahoo	Yes	No	0	17967
3	Sandy Kalasingha	MD	Yes	20	98745
4	Sachin Mohapatra	No	Yes	80	NA

- Financial Performance Snapshot (₹ in Lacs)

Particulars	FY 21–22	FY 22–23	FY 23–24
Net Sales	2407.54	4396.05	4476.83
PAT	24.29	40.11	42.65
Cash Profit	32.01	49.34	61.37
Current Ratio	1.95	1.62	1.57
DSCR	8.52	5.36	3.19
TOL/TNW (with QE)	0.706	0.893	1.021

Financials show increasing cash profits, strong DSCR, and adequate liquidity.

-Bank Statement & Conduct (last 12 months)

- Average Monthly Credits: ₹380–420 Lacs (est.)
- No cheque returns or OD irregularities
- Satisfactory fund flow and transaction pattern

-Ownership & Asset details

Office is a rented property, stability more than 5 years.

Residence is parental owned, stability more than 25 years.

Any personal assets owned by director-2 cars, 1 Vacant land, Jewellery worth 89 lakhs.

- Risk Assessment

- Business Risk: Low
- Financial Risk: Low
- Management Risk: Low
- Collateral Offered: NIL (Unsecured Facility)
- Overall Risk Grade: Moderate – Acceptable

- Credit Justification

- Increasing turnover & profits year-on-year
- Adequate working capital gap coverage
- Debt servicing capability established
- No adverse remarks from CIBIL, BQS, or internal checks
- Business stability evident from consistent receivables & stock growth

-Group/sisters concern- No

- Recommendations

- Fresh WC limit of ₹450.00 Lakhs
- Interest Rate: As per internal pricing grid
- Repayment: On demand, subject to review annually
- Security: Unsecured
- Personal Guarantee: Directors' PG to be taken
- Covenants:

- Submit quarterly stock/debtor statements
- Maintain banking exclusively with Axis
- No diversion of funds
- No additional borrowing without prior consent
- Leverage(TOL/ATNW) to be maintained within 2.5x throughout the tenure of loan with Axis bank.

-Deviation:

No deviation as leverage <1.5x

Prepared By: Credit Officer – SBB Unit

Reviewed By: Credit Manager

Approval Authority: Cluster Credit Head – As per sanction matrix

Final Recommendation:

Loan Sanction: APPROVED

Risk Rating:

Parameter	Risk Level
Business Performance	Low
Financial Risk	Low
Management & Intent	Low
Overall Risk Category	Moderate Risk (Acceptable for SBB underwriting)

Conditions to be imposed (Pre & Post Disbursement):

- Maintain DSCR > 1.5
- Provide quarterly stock and debtor statements
- No overdue > 30 days in banking

- Avoid additional debt without bank consent

WEEK-5

During the fifth week of my internship at Axis Bank – Small Business Banking (SBB) in the Credit Underwriting Department, I gained hands-on experience in evaluating loan proposals, understanding various credit products, and analysing financial statements. My primary focus was on the assessment of Working Capital (WC) Loan proposals. I reviewed and interpreted financial documents of MSME clients, such as balance sheets and profit & loss statements, and analysed key underwriting parameters including turnover, net profit, current ratio, DSCR, and TOL/TNW. This exercise helped me understand how credit exposure limits are proposed and sanctioned based on financial strength and business requirements.

Additionally, I explored and gained conceptual clarity on three major loan products: Working Capital Loans, Home Loans, and Business Loans. I learned that Working Capital loans, such as Cash Credit (CC) and Overdraft (OD), are designed to support a company's day-to-day operations, such as financing inventory or receivables. These are typically sanctioned based on working capital gap analysis and are often unsecured in the SBB segment. The creditworthiness of borrowers is evaluated through various financial ratios and business viability.

I also studied Home Loans, which are provided for the purchase or construction of residential properties, Improvement & renovation of homes, Land purchase & construction. These loans are usually secured by the property being financed, with eligibility based on income, credit score, and repayment capacity. Important checks for home loans include legal clearance, technical valuation, and FOIR analysis. In contrast, Business Loans—which may be secured or unsecured—are extended for business expansion, asset purchase, or additional working capital needs. These loans are evaluated based on the borrower's cash flows, financial health, and business prospects. I learned that unsecured business loans are common under the SBB model, especially for loan amounts below ₹25–50 lakhs.

WEEK-6

In the sixth week, I had the opportunity to work closely with the Operations Department. My primary learning involved understanding the end-to-end disbursement process once a loan proposal is sanctioned by the credit team. I observed how the operations team verifies whether all pre-disbursement conditions (PDCs) mentioned in the CAM (Credit Appraisal Memo) are fulfilled—such as submission of signed loan agreements, KYC documents, property papers (in

case of secured loans), and insurance documents if required. Once all documentation is verified, the file is marked “compliant” in the system, and the loan is moved to the disbursement queue. The operations team then initiates the fund transfer to the customer’s designated account. For Working Capital limits like CC/OD, the limit is activated in the current account, and for term loans or business loans, the lump sum amount is transferred.

In addition, I was introduced to the functioning of the FCU (Fraud Control Unit). Though I did not directly work in the unit, I gained an overview of how FCU operates as a parallel check during the underwriting and disbursement stage. The FCU verifies authenticity of the information provided by the borrower—especially in high-ticket loans or flagged cases—by conducting background checks, verifying income documents, bank statements, site visits, and sometimes even digital footprint reviews. This unit helps prevent identity fraud, document forgery, and financial misrepresentation, thereby minimizing credit and operational risks for the bank.

After disbursement, all departments actively monitor the customer’s account for Early Warning Signals (EWS). They track fund utilization, repayment behaviour, account activity, and overdue patterns. Any irregularities like cheque returns, drop in sales, or delayed EMI payments are flagged immediately. This continuous monitoring helps in detecting potential stress early and allows the bank to take preventive or corrective action swiftly. This process also prevents NPA.

Findings & Analysis

- **Creditworthiness is Multi-Dimensional:** Sanctioning a loan is not solely dependent on profitability but on a combination of financial health, business vintage, promoter intent, compliance, and risk ratings.
- **Role of Ratios in Decision Making:** Key financial ratios like DSCR, Current Ratio, and TOL/TNW are vital in understanding a company's leverage, liquidity, and repayment ability. In the XYZ Ltd. case, strong DSCR and cash profits made the case favourable.
- **Structured Underwriting Improves Decision Accuracy:** Axis Bank follows a standardized, risk-based approach with multiple layers of checks (Hunter, BQS, Field Investigation, Financial Analysis), which reduces subjectivity and increases reliability in credit decisions.
- **Importance of Documentation:** Accurate and complete documentation plays a key role not only in approval but also in post-disbursement monitoring and legal enforceability.

Challenges Faced:

- ☐ **Limited Access to Systems:** As an intern, access to core banking systems was restricted, limiting practical exposure to live underwriting and system entries.
- ☐ **Understanding Jargon and Policy Language:** The banking and underwriting terminology (like CAM, PD, FCU, RAM/ICON rating) was initially overwhelming and required time and consistent guidance to fully grasp.
- ☐ **Data Confidentiality:** Sensitivity of customer data and internal ratings restricted direct handling, making it essential to rely on mock or shadow file studies (e.g., XYZ Ltd.).
- ☐ **Field Constraints:** Limited opportunities to accompany credit managers on field visits or personal discussions due to operational workloads or client unavailability.

Learning from the Internship:

The six-week internship at Axis Bank – Loan Centre (SBB – Credit Underwriting Department) provided in-depth exposure to the entire lifecycle of MSME lending. I learned the importance

of financial analysis, risk assessment, documentation, operational checks, and the internal systems that streamline credit processing. Some of the key learnings include:

- **Understanding of MSME Products:** Gained conceptual clarity on Working Capital Loans (CC/OD), Business Loans, and Home Loans, including eligibility criteria, risk assessment, and the underwriting logic.
- **Credit Appraisal Process:** Learned how financial documents like P&L, balance sheets, bank statements, and ratios (DSCR, TOL/TNW, current ratio) are analyzed to evaluate the borrower's repayment capacity and business health.
- **CAM Preparation:** Learned how Credit Appraisal Memos (CAM) are prepared, summarizing all financial, operational, and risk-related data for credit decisioning.
- **Operational Knowledge:** Understood the disbursement process, including compliance checks and fund transfer mechanisms, and the role of the Operations and FCU units.
- **Post-Disbursement Monitoring:** Gained awareness about Early Warning Signals (EWS) monitoring and its importance in detecting stress before it becomes a Non-Performing Asset (NPA).

CONCLUSION

The internship at Axis Bank's Loan Centre (SBB Credit Underwriting) offered a practical understanding of the end-to-end MSME credit process. I learned that credit appraisal goes beyond numbers, incorporating business viability, promoter intent, and repayment behaviour. Analysis of financial statements and key ratios like DSCR, TOL/TNW, and the current ratio is critical for assessing borrower risk. The Loan Origination System (LOS) supports efficient, transparent workflows, while tools like Hunter, BQS, and CIBIL/CMR checks help prevent fraud and ensure compliance. Exposure to operations processes showed how pre-disbursement checks and FCU verifications minimize operational and credit risks. Post-sanction, Early Warning Signal (EWS) tracking plays a vital role in reducing NPAs.

The case study of XYZ Ltd. confirmed that robust financials, good banking conduct, and stable management justify working capital finance. Overall, the internship bridged academic learning with real-world practices, deepening my knowledge of credit underwriting and risk management in MSME lending.

SUGGESTIONS

1. **Develop Digital Financial Literacy for MSMEs**

Many small business owners lack awareness about banking procedures, documentation, and the importance of maintaining financial discipline. Axis Bank could consider offering periodic digital literacy programs, especially in semi-urban and rural areas, to improve MSME clients' financial preparedness and reduce documentation delays.

2. **Introduce Smart Pre-Screening Tools**

Implementing automated pre-screening tools that assess basic financial health using ITRs, bank statements, and GST data could help credit officers prioritize strong cases and reduce processing time.

3. **Enhance Intern Learning Modules**

Structured learning modules including mock case studies, interactive system demos (like LOS or RAM/ICON), and weekly feedback sessions would make internships more experiential and productive.

4. **Stronger Post-Disbursement Monitoring via Tech Tools**

Use AI-based tools or dashboards to automatically flag Early Warning Signals (EWS) such as delayed credits, bounced EMIs, or unusual account activity, allowing timely corrective actions.

5. **Cross-Department Exposure for Interns**

A brief rotation through sales, legal, operations, and collections teams would give interns a holistic view of the loan lifecycle and its interdependencies, improving their understanding of credit risk and recovery.

6. **Sector-Specific Risk Training for Credit Teams**

Organizing workshops on industry-specific credit risks (e.g., textiles, manufacturing, trading) can help credit managers better assess working capital needs and seasonality challenges for MSME borrowers.

7. **Enhance Post-Disbursement Engagement:**

Assigning relationship managers to engage with borrowers even after disbursement can improve customer retention and early problem detection.

Bibliography

Books & Reference Materials

1. *Banking Theory, Law and Practice* – K.C. Shekhar & Lekshmy Shekhar
2. *Credit Risk Management* – Joetta Colquitt
3. *Financial Management* – I.M. Pandey
4. *Principles of Banking* – Indian Institute of Banking and Finance (IIBF)
5. *SME Finance: Understanding the Role of Risk and Information* – R. Narasimhan

Websites & Online Resources

1. www.axisbank.com – Official Axis Bank website
2. www.rbi.org.in – Reserve Bank of India – Guidelines on credit risk, SME finance, and prudential norms
3. www.cibil.com – Credit Information Bureau (India) Ltd. – CIBIL score interpretation and reports
4. www.mca.gov.in – Ministry of Corporate Affairs – Company financials, compliance checks
5. www.gst.gov.in – GST portal – For understanding GST-based income analysis
6. www.probe42.in – Financial database used for business credit information

Internship Resources

- Internal documents and training materials provided by Axis Bank.
- Credit Appraisal Memos (CAMs) reviewed during the internship.
- Discussions and guidance from Credit Managers, Area Credit Managers, and Operations Team at Axis Bank Loan Centre.