

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

पर्यवेक्षण विभाग

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National Bank for Agriculture  
and Rural Development

Department of Supervision

Head Office : BKC, Bandra (E) Mumbai - 400 051  
Tel. : +91-22-2654 1834 • Fax : +91-22-2653 0103  
E-mail : dos@nabard.org • Website : www.nabard.org

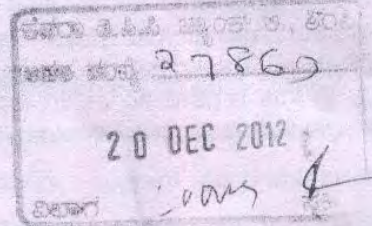
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Ref. No.NB.DoS.HO.POL/ 2301 /J-1/2012-13  
13 September 2012

Circular No. 229 /DoS 31 /2012

The Managing Director  
All State Cooperative Banks

The Managing Director/General Manager/  
Chief Executive Officer,  
All Central Cooperative Banks



Dear Sir,

**Introduction of Stock Audit for Working Capital Finance.**

As you are aware, banks often finance working capital in the form of cash credit against hypothecation of stock and debtors. The borrowers, in such cases, are expected to submit the details of stocks and debtors every month on the basis of which 'Drawing Power' is calculated, after reducing the prescribed margin. Stock and Debtors being the primary security for the bankers, it is important that the genuineness and correctness of such statements are verified at prescribed intervals by an independent agency, specifically where the exposure exceeds the pre-determined threshold limit. The process is known as 'Stock Audit'.

2. Although the system of stock audit is prevalent in some SCBs and CCBs, it was observed that there was no uniformity with regard to the cut-off limits for compulsory stock audit. The Board of Supervision had therefore, directed that NABARD should issue broad guidelines for causing stock audit by banks. Accordingly, the issue was examined by us keeping in view the guidelines issued by the Reserve Bank of India to Commercial Banks and Urban Cooperative Banks in this regard.

3. It has now been decided that SCBs and CCBs shall arrange to carry out Stock Audit in respect of stocks hypothecated to the bank for working capital finance in respect of bigger borrowers/units once in a year. It would be compulsory to carry out stock audit in respect of the following accounts outstanding as on 31 March of the previous year:





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- (i) For performing assets : Balance in the Account ₹ 1.00 crore and above  
(ii) For NPA accounts : Balance in the Account ₹ 0.50 crore and above

Stock audit may be carried out by an independent agency, generally Chartered Accountant firm. Banks may engage the Statutory Auditor carrying out the audit of the bank or any other CA specialized in conduct of stock audit for the purpose. The compensation to be paid to the CA may be decided by the banks themselves.

4. Broad guidelines for conduct of Stock Audit are furnished in Annexure-I and suggested format of Stock Audit Report is furnished in Annexure-II for information. Based on the guidelines, individual banks may formulate their own policy in this regard so as to ensure that stock audit is conducted for working capital finance accounts with outstanding balance indicated in para 3 above.

5. A copy of this circular together with annexures may please be placed before the next meeting of your Board of Directors for necessary action. In the meantime, please acknowledge receipt of this circular to our Regional Office concerned.

Yours faithfully,

(K. Venkateswara Rao)  
Chief General Manager

Encl: as above



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Ref. No.NB.DoS.HO.POL/3902 /J-1/2012-13

30 January 2013

Circular No. 27 /DoS.05/2013

The Managing Director  
All State Cooperative Banks

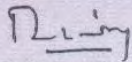
The Managing Director/General Manager/  
Chief Executive Officer,  
All Central Cooperative Banks

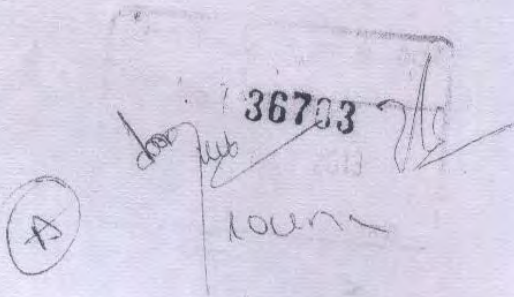
Dear Sir,

**Stock Audit for Working Capital Finance**

Please refer to our circular No.NB.DoS.HO.POL/2301/J-1/2012-13 dated 13 September 2012 furnishing detailed guidelines for conduct of Stock Audit for Working Capital Finance by SCBs and CCBs. In partial modification of para 3 of the above circular, we advise that the stock audit can be conducted either by a Chartered Accountant or by a Cost Accountant.

Yours faithfully,

  
(B.K.Dey)  
General Manager

  
36703  
10/1/13

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