

Revised Onetime Restructuring Policy for MSME advances

(Based on 'Resolution Framework 2.0 - Resolution of Covid-19 related stress of MSMEs introduced by RBI vide circular no.s DOR.STR.REC.12/21.04.048/2021-22 & DOR.STR.REC.11/21.04.048/2021-22 dated 05.05.2021)

RBI vide its circular no. DBR.No.BP.BC.18/21.04.048/2018-19 dated 01.01.2019, issued guidelines for restructuring of MSME Advances without downgrade in asset classification.

Accordingly our Board has

approved 'Policy for One Time Restructuring of Advances under Micro, Small & Medium Enterprises (MSME) sector' on 10.01.2019, which was circulated vide our circular no. BCC:BR:111:22 dated 11.01.2019. The One Time Restructuring scheme was valid upto 31.03.2020.

Later on, the time period of the scheme was extended upto 31.12.2020, following RBI circular no. DOR.No.BP.BC.34/21.04.048/2019-20 11.02.2020 regarding "MSME sector – Restructuring of Advances".

Subsequently, in order to support the viable MSME entities on account of the fallout of COVID-19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, RBI issued directives vide circular no. DOR.No.BP.BC./4/21.04.048/2020-21 06.08.2020. Through this directive the scheme was extended till 31.03.2021.

Now, in view of the uncertainties due to the resurgence of the COVID-19 pandemic, RBI has extended the above said restructuring facility without a downgrade in the asset classification vide circular no. RBI/2021-22/32 dated 05.05.2021 for MSMEs and vide circular no. RB/2021-22/31 dated 05.05.2021 for Individual and Business Enterprises. These set of measures are broadly in line with the earlier OTR schemes announced by RBI vide circulars dated 01.01.2019, 11.02.2020 and 06.08.2020 with suitable modifications.

Accordingly, the One-Time Restructuring Policy issued on 11.01.2019 is modified to make it in line with the above RBI's Resolution framework 2.0 and validity of this policy is extended.

The index of the policy is as bellow:

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Section-A

ELIGIBILITY, SANCTIONING AUTHORITY, PROCESSING FEES, TIMELINES AND CUSTOMER CONNECT

1. ELIGIBILITY:

a. Borrowers Covered:

i) MSME:

- The borrower should be classified as a MSMEs as on March 31, 2021, in terms of the Gazette Notification S.O. 2119 dated June 26, 2020 and
- The aggregate credit exposure including non-fund based facilities of all lending institutions to the borrower should not exceed Rs.50 Crores as on 31.03.2021.

ii) **Small Business:** Individuals and Small Businesses including those engaged in Retail and Wholesale Trade other than those classified as MSME as on 31.03.2021 are also eligible for resolution under Resolution Framework 2.0.

iii) **Food & Agro Based units:** Food and Agro based units like Cold Storage/Warehouse/Silos units, having aggregate sanctioned limit of Rs.100 crores per borrower from the banking system are covered under Agriculture. However, these units are basically MSME units. Thus, the above Resolution Framework 2.0 announced by RBI for MSME units having aggregate exposure upto Rs.25 crores shall also be applicable to these units under Agriculture.

iv) **GST Registration:** The borrowing entity should be GST- registered as on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST registration. This shall be determined on the basis of exemption limit obtaining as on 31.03.2021.

v) **Udyam Registration:** The borrower should be registered with Udyam registration portal. If the borrower is not registered with Udyam registration portal, such registration shall be required before the date of implementation of the restructuring plan, for the plan to be treated as implemented.

b. Asset Classification :

- i) The account should be standard as on 31.03.2021.
- ii) Asset classification of Borrower's account which was classified as **Standard as on March 31, 2021** may be retained as such, whereas the accounts which **may have slipped into NPA category between April 1, 2021** and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

c. In respect of accounts which were restructured following MSME restructuring circulars dated 01.01.2019, 11.02.2020 and 06.08.2020, the Bank is permitted as a onetime measure, to review the working capital sanctioned limits and / or drawing power based on reassessment of the working capital cycle, reduction of margins etc. without the same being treated as restructuring. The decisions with regard to the above, are to be taken by the Bank by 30.09.2021. The reassessed sanctioned limit/drawing power shall be subject to review at least on a half yearly basis and the renewal/ reassessment at least on an annual basis. The annual

renewal/reassessment are expected to suitably modulate the limits as per the then-prevailing business conditions.

For Small Business, the working capital limits to be restored as per Resolution Plan implemented under Resolution framework 1.0 by March 31, 2022

Exclusions:

The borrower accounts already restructured following RBI circular no.s- DOR.No. BP.BC/4/21.04.048/2020-21 dated 06.08.2020, DOR.No. BP.BC/34/21.04.048/2019-22 dated 11.02.2020 and DOR.No. BP.BC/18/21.04.048/2020-21 dated 01.01.2019, are not eligible for restructuring under Resolution Framework 2.0.

2. SANCTIONING AUTHORITY:

<i>Credit Exposure</i>	<i>Sanctioning Authority</i>
Upto Rs.1 crore	Branch Head (as per respective DLP)
Above Rs.1 crore & upto Rs.3 crores	SMELF
Above Rs. 3 crores	Credit Committee in RO/ZO/BCC within respective DLP

The application will be processed outside LLPS and decision taken under this framework shall be submitted for “Post Sanction Reporting (PSR)” as per Bank’s extant guidelines.

Head-MSME is authorized for taking a call to advise Branches/RO/ZO to undertake OTR as per their DLP and SMELFs to devote towards new business.

3. PROCESSING FEES:

No processing fees is to be charged for processing, invocation, implementation of resolution plan under this framework. However, any out of pocket expenses like stamping, inspection, valuation etc. to be borne by the borrowers. Further, since review of the credit facilities is also proposed along with restructuring, annual unified processing fees as per extant guidelines to be recovered on pro-rata basis.

4. TIMELINES:

- Under the Resolution Framework 2.0, the restructuring of the borrower account is to be invoked by 30.09.2021. For this purpose, the restructuring shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower.
- The decision of applications received by the Bank from its customers for invoking restructuring under this scheme shall be communicated in writing to the applicant by the Bank, within 30 days from receipt of such applications.
- The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to the borrower independent of invocation decisions by other lending institutions, if any, having exposure to the same borrower.
- The restructuring of the borrower account is to be implemented within 90 days from the date of invocation.

5. CUSTOMER CONNECT: A copy of the policy will be kept in the branch also.

6. PROCESSING TEMPLATES:

- The existing OTR processing formats for exposure ‘upto Rs.10 lacs’ to continue.
- Further the credit appraisal format for exposure ‘above Rs.10 lacs to Rs.5 crores’ may be utilized for exposure ‘upto Rs.10 Crore’.
- For exposure above Rs 10 Crore, MCB format for credit appraisal to be utilized.

Section-B IDENTIFICATION OF STRESS DUE TO COVID-19

As per RBI notification regarding Resolution Framework-2.0- Resolution of Covid-19 related stress on Individual and Small Businesses and MSMEs, the measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, the relief provided under these instructions shall be subject to supervisor review with regard to their justifiability on account of the economic fallout from COVID-19.

Accordingly, the following criteria may be utilized to satisfy that the unit is impacted by COVID-19.

i) Reduction in turnover by 10% or more from FY 2019-20 to FY 2020-21:

- The turnover should be verified from Audited Financials. In case audited financials are not available, the Provisional financials may be accepted.
- In case turnover of 2019-20 not available, the same may be compared with the estimates/projections provided by the entity at the time of last review.
- In case neither audited nor provisional financials are available, the turnover in the account of the borrower may be compared with the corresponding period of previous year.
- If the unit does not come under the purview of Audit, then Provisional or self-certified financial may also be accepted in exceptional cases.

ii) Capacity utilization of the unit reduced by 10% or more, if the entity is able to justify with the documentary proof.

iii) If unit was working during 2019-20 as per the available unit visit report/financials of the firm and same has been closed during FY 2020-21.

iv) Self-declaration by the borrower in case of exposure up to Rs.10 lacs that their business has been affected by COVID-19.

Section-C RESOLUTION PLAN FOR STRESSED BORROWERS

The borrowers satisfying the stress identification criteria as mentioned in Section-B may opt for resolution plan as under:

VIABILITY & ELIGIBILITY:

1. *Techno Economic Viability (TEV) Study:* TEV Study is waived in following cases:

- i)* Where No additional funding is proposed under said resolution plan or,
- ii)* Where additional funding is proposed and after additional funding TOTAL proposed aggregate exposure is below Rs.5 Crore.

Where additional funding is proposed and after additional funding TOTAL proposed aggregate exposure is Rs.5 Crore and above, TEV report to be obtained from empaneled agency to establish viability of the restructuring plan.

2. VIABILITY OF THE PROJECT TO BE OBTAINED ON FOLLOWING FINANCIAL PARAMETERS:

- i)* DSCR: Average DSCR of 1.25 and minimum DSCR of 1.05 to be ensured.
- ii)* Current Ratio: Current Ratio minimum 1.00 (excluding Term loan/Demand loan/WCTL/FITL installments due in next 12 months, provided adequate cash generation is available), as a result of restructuring package to be ensured from next second year of implementation of restructuring package, so that the unit does not face liquidity problem once the restructuring package has been implemented.
- iii)* FACR: In case of additional term loans (excluding WCDL/WCTL/FITL) minimum FACR of 1:1 to be ensured.
- iv)* Margin for additional funding requirement: In case of additional funding requirement, minimum margin of 15% of total fund requirement, to be brought in by way of capital or quasi capital (i.e. interest free unsecured loans from promoters/directors and their friends and relatives) by the promoters

OR

If the borrower is not in a position to bring margin as mentioned above, then 25% of the required margin may be provided in the form of additional collateral security by way of SARFASI complaint immovable property. In that case, 15% margin may not be insisted upon.

- v)* The infusion of 15% margin in case of additional funding to be made upfront in an Escrow account as on date of release of the package by the Bank.
- vi)* Additional exposure (including capex) not to exceed 25% of the total aggregate exposure.
- vii)* Margin on stock & receivables: Margin on stock & receivables may be reduced to 15% and gradually stepped up once the liquidity improves as a result of the restructuring

package after 12 months. Period of Receivables can be extended as per the operating cycle by the sanctioning authority.

- viii) WCDL/WCTL/FITL carved out should not be treated as additional exposure.
- ix) SME rating/Grading from external agencies not to be insisted upon at the time of restructuring. Irrespective of Internal rating/RAROC, restructuring of the eligible account to be done subject to viability.
- x) Letters of Credit can be sanctioned as a sub limit of working capital limits. Other non-fund based limits may be considered as per the need within overall cap of 25% of aggregate additional exposure.
- xi) Repayment Period: WCTL and additional term loan (if any) would be repayable generally in 5 years including moratorium of 12 months. However, the Sanctioning Authority can allow maximum repayment period upto 7 years on case to case basis. WCDL will be repayable in 3 years including moratorium period of 12 months. This repayment period is subject to residual economic life of the Plant & Machinery.
- xii) It would be necessary to make an offer for restructuring to the borrowers/promoters and seek their consent and ascertain their intent and stake prior to taking up the unit for restructuring.

Other Condition:

- i) Provisional Balance sheet not more than 3 months old to be obtained and last audited financial statements not be more than 15 months old (wherever audit of financial statements applicable) to be obtained.
- ii) Security perfection as per terms of sanction to be complied with. In case of non-compliance of any other terms of sanction even after best efforts could not be complied with, the same to be ensured within 6 months from the date of restructuring.
- iii) Current accounts maintained with other Banks would need to be closed as a pre- condition of restructuring.
- iv) Cases of wilful default, fraud and malfeasance will not be eligible for the restructuring package.
- v) Activity clearance is not required for providing any additional credit limit under Resolution Framework 2.0, to MSME units who fall under negative or discretionary list of Bank

Permitted features of Resolution Plans for Small Businesses including Retail Trade & Wholesale Trade:

- The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.
- In cases of loans of borrowers specified in Section A (Under Eligibility 1.a.ii)), above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or

extension of residual tenor by a period of less than two years, lending institutions are permitted to use this window to modify such plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to maximum of 2 years, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

Section-D RELIEF AND REPAYMENT PERIOD
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i) Waiver of panel interest: If penal interest is charged, such charges should be waived with effect from 1st April, 2021.

ii) Unpaid Interest: Unpaid/unapplied interest, if any as of the cutoff date and future interest during moratorium period from the date of restructuring may be funded by way of Funded Interest Term Loan (FITL). This FITL will be repaid in 3 years including a maximum moratorium period of 12 months.

iii) Working capital Demand/term loan (short fall in Net working capital): The short fall in net working capital will be calculated as on the cutoff date by working out realizable current assets (excluding obsolete inventory, receivables which are unrealizable/cannot be realized with a period of 6 months or any other assets classified as current but not realizable within one year) minus unpaid creditors (beyond the normally available credit period), unpaid statutory dues, installment of term loan payable in next 12 months, overdue term loan installments etc. Cover period of receivables could be extended as per the operating cycle by the sanctioning authority.

iv) Audit of stock & receivables: Audit of stock & receivables are to be done as per extant Guidelines. Stock & receivable audit not to be insisted upon if it is already done as per extant Guidelines.

v). Working Capital Limits: After carving out FITL and WCDL/WCTL, the remaining working capital limits may be renewed. The enhancement in working capital limit may also be considered subject to the condition that total exposure of the bank does not exceed 25% of the existing total exposure.

vi) Rephasement of existing term loans: After the unpaid interest portion is carved out in the form of FITL, the repayment of balance dues may suitably rephrased, so as to align with the repayment capacity as projected under restructuring package.

vii) Funding of Future cash loss: It is envisaged that the unit may continue to incur losses for a period of 12 months once the restructuring package has been implemented. The necessary support required to fund the estimated cash loss which may be funded as under:

- a) Future cash loss: Future cash loss may be disbursed in a phased manner after review of the progress made under restructuring package. For disbursement of future cash loss a separate TL/DL account may be opened. Repayment of the loan account created to commence not later than 12 months after the date of first disbursement. Repayment of this loan will be done in 36 months including moratorium of 12 months.
- b) Promoter's contribution: Promoters to contribute (upfront) 15% of the amount disbursed in lieu of cash loss.
- c) WCTL will also be within the overall cap of 25% of aggregate exposure.

viii). Extension of DCCO: All guidelines of RBI as per the IRAC norms will be applicable.

ix). Rate of Interest:

Nature of Facility	Proposed Concessional Rate of Interest
Funded Interest Term Loan (FITL)	BRLLR+0.75%
Working Capital Term Loan (WCTL 1 & 2)	BRLLR + 1.25% p.a. Spread to be reset linked to credit rating of the unit on the second anniversary date.*
Working Capital Limits (existing & proposed)	BRLLR + 2.25% p.a. Spread to be reset linked to credit rating of the unit on the second anniversary date.*
Term Loans (existing & proposed)	Interest rate of BRLLR + 2.25% p.a. Spread to be reset linked to credit rating of the unit on the second anniversary date.*

*on completion of 24 months (including moratorium if any) from the date of implementation of restructuring package.

NFB Limits: 25% concession on the card will be provided for 24 months from the date of implementation of restructuring package (not to be taken for calculating the Right to recompense).

xi) Right to recompense:

- Bank's right to exercise recompense would be included in the sanction letter to the borrower. Suitable clause should be added in the sanction letter requiring the unit to show the recompense amount due to the bank as a contingent liability in the unit's balance sheet every year.
- In case of takeover / pre-closure or a decision is taken to call up the advance due to failure of the package, the loss sustained by the Bank on account of reliefs/concessions extended would also be claimed along with other dues.

xii). Exercising Right of Recompense: Once the unit has been revived and surplus cash accruals are available after meeting the repayment obligations under the restructuring package, the right of recompense may be exercised from the 2nd anniversary date of the implementation of restructuring package. Recovery may be aligned with the repayment capacity of the unit.

<p>Section-E PRUDENTIAL TREATMENT OF THE EXPOSURES IN RESPECT OF WHICH RESOLUTION PLANS ARE IMPLEMENTED</p>
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1. Asset Classification:

- a) Asset classification of Borrower’s account which was classified as Standard as on March 31, 2021 may be retained as Standard.
- b) The accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation.
- c) it is clarified that accounts classified as NPA on or before 31.03.2021, can also be restructured, however, the extant asset classification norms shall be applicable i.e. the account will continue to be classified as NPA and the same can be upgraded if it demonstrates satisfactory performance during “specified period”.
- d) Specified period means a period of 12 months from the commencement of the first payment of interest or principal on the credit facility with longest period of moratorium under the restructuring package. Satisfactory performance means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of Cash credit/Overdraft account, satisfactory performance means that the outstanding in the account should not be more than the sanctioned limit or drawing power, whichever is lower for a period of more than 30 days.

2. Provisioning Requirements;

- Upon Implementation of the restructuring plan under this framework, the bank shall keep provision of 10% of the residual debt of the borrower.
- For Individual and Business loans, half of the provisions will be written back upon the borrower paying atleast 20% of the residual debt without slipping into NPA after one year from the commencement of first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

3. Disclosure:

Bank shall make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under these instructions as per the following format as for accounts under Individual and Small Business including Retail Trade & Wholesale trade, the disclosure to be made as per RBI circular no- DOR.STR.REC.11/21.04.048/2021-22 dated 05.05.2021.

No. of accounts restructured	Amount (Rs. in million)

- 4. Grievance Redressal:** Every RO/ZO is having Grievance Redressal Committee which shall be responsible for redressal of any grievances related to Resolution Framework 2.0, in time-bound manner.