

Resolution Framework 2.0 for Micro Small and Medium Enterprises (MSMEs)

In the face of the Covid-19 pandemic, businesses and industries suffered economic and financial stress. Earlier, during the first wave of Covid-19, RBI came up with circular for mitigating stress of MSMEs to whom Lending Institutions (LIs) together had exposure up to Rs.25 Crore, vide DOR.No.BP.BC/4/21.04.048/2020-21 dated 6th August 2020. In a way, it was an extension, to special COVID-19 affected cases, of the scheme permitted in terms of Circular DBR.No.BP.BC.18/21.04.048/2018-19 dated 1st January 2019 and subsequent circular on the scheme.

Owing to the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks [Covid-19 Pandemic (Second Wave)], RBI vide its Circular RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 5th May 2021 decided to extend the above facility for restructuring existing MSME loans without a downgrade in the asset classification.

A. Borrower Eligibility

- i. The borrower should qualify as a micro, small or medium enterprise (MSME) as on 31st March 2021 in terms of the Gazette Notification S.O. 2119 (E) dated 26th June 2020.
- ii. The borrowing entity should be GST-registered 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 31st March 2021).
- iii. Accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19 pandemic.
- iv. The aggregate exposure, including non-fund-based facilities, of all LIs to the borrower should not exceed Rs. 50 Crore as on 31st March 2021.
- v. The Resolution Framework 2.0 is not applicable for credit facilities provided by Bank against Fixed Deposits
- vi. **The borrower's account should not have been restructured** in terms of the policies enunciated in the three RBI's circulars [namely (a) DBR.No.BP.BC.18/21.04.048/2018-19 dated 1st January, 2019, (b) DOR.No.BP.BC.34/21.04.048/2019-20 dated 11th February, 2020, (c) DOR.No.BP.BC/4/21.04.048/2020-21 dated 6th August 2020 (collectively referred to as "MSME restructuring circulars") and also the circular no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August 2020.
- vii. Facility is to be extended only to the borrowers having stress on account of COVID-19. The credit facility(ies) / investment exposure to the borrower must have been classified as Standard as on 31st March 2021.

B. Invocation

- i. The restructuring of the borrower's account must be invoked by 30th September 2021. For this purpose, the restructuring will be treated as invoked when Bank and the borrower agree to proceed with the efforts towards finalising a Resolution Plan to be implemented in respect of such borrower.
- ii. Decisions on applications received by Bank from customers for invoking restructuring under this facility must be communicated in writing to the applicant by Bank within 30 days of receipt of such applications
- iii. If multiple LIs have credit exposure to the same borrower, the decision to invoke the restructuring under this facility should be taken by each LI independent of decisions taken by others.

C. Features Under Prudential Framework Adopted By Bank

i. Re-scheduling of existing outstanding amount.

Rescheduling of repayment of existing outstanding amount (including amount of interest accrued) shall be by a period not more than 2 years from the date of implementation. Total no. of EMI's will get increased with tenure not more than 24 months.

ii. Extension of tenure including moratorium granted.

Moratorium may be granted up to a maximum of 2 years from the date of implementation. It would be principal moratorium for the specified period in which customer would be servicing the interest on the outstanding amount. The tenure may get extended, provided that the same should not be more than 24 months inclusive of moratorium.

iii. Conversion of interest:

Interest accrued or to be accrued (maximum upto 31st March 2022) to be converted into another credit facility i.e. FITL to be repaid in 12 months. The repayment period will be reckoned / start from next month of the period upto which interest is considered for conversion into FITL.

iv. Overdrawn/ Irregular component of Cash Credit as on the date of implementation may be carved out and sanctioned as an ad hoc facility to be liquidated in maximum period of 24 months including moratorium period of 3 month in suitable installments in the form of WCTL on case to case basis.

D. Features for previously restructured accounts

- i. As a one-time measure, to review sanctioned working capital limits and/or drawing power based on a reassessment of the working capital cycle, reduction of margin without the same being treated as restructuring of accounts of borrowers which were restructured in terms of the previous three "MSME restructuring circulars" and also the circular no. circular no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August 2020.
- ii. Out of the features listed under Para C above, only those which are appropriate for a particular unit shall be considered for extension.

E. Implementation

- i. Restructuring of the borrower account must be implemented within 90 days from the date of invocation.
- ii. If the borrower is not registered in the Udyam registration portal, such registration shall be required to be completed before the date of implementation of the Resolution Framework for the plan to be treated as implemented.
- iii. The resolution plan shall be deemed to be implemented only if all the conditions as under are fulfilled (which are same as those under Resolution Framework 1.0).
- iv. Entire related documentation, including execution of necessary agreements between Bank and borrower and collaterals provided, if any, is completed by the Bank in consonance with the resolution plan being implemented.

F. List of Documents and details to be collected

Documents as per the following list should be submitted by borrower while applying for loan-restructuring under resolution plan.

- a. Application containing Declaration/ undertaking (detailing the adverse impact on business of COVID-19 pandemic) for Resolution Plan (Application Form attached as **Annexure 1-C**)
- b. Sales and purchase statement from January 2021 onwards.
- c. Stock and receivables statement as on a recent date (except for service industry)
- d. GST Returns for H1 FY 2020-21, H2 FY 2020-21 and completed months of FY 2021-22
- e. No statutory dues certificate from CA.
- f. Audited financials for FY 2019-20, Provisional financials for FY 2020-21 and projections for next 2 financial years.
- g. Viability study based on project report given by practicing Chartered Accountants with UDIN for exposure above Rs.25 crore for at least 5 years on realistic basis.
- h. Udyam Registration Certificate.
- i. CA certificate with UDIN no. for certifying the exposure of the borrower from all lending institutions shall be obtained for exposure above Rs.15 Crore. In all other cases, branch to ensure that the aggregate exposure is not above Rs.50 Crore either through CIR report/ROC/ Balance sheet.

2. For Multiple Banking/ Consortium banking

- All the documents applicable for sole banking would apply here.
- The customers enjoying Multiple Banking/ Consortium banking would have to furnish following additional documents:

Details of all the facilities- Funded and Non-Funded availed in all other banks and NBFCs.

G. Grievance Redressal Mechanism

1. A senior official has been designated by the Bank as the Grievance Redressal Officer under the Resolution Framework 2.0
2. If any borrower has any grievance, he/she may first contact the base branch for resolving the same. If not satisfied with the reply, he/she may raise query on Grievance Portal on Bank's website.
3. Borrower has a right to escalate the grievance to the respective zonal office and then to the Grievance Redressal Officer.
4. Branches, zonal offices and the Grievance Redressal Officer shall follow the same norms for grievance redressal which are applicable to other grievances.