

**(ii) Resolution Framework-2.0: Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**

In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, Reserve Bank of India vide its Circular DOR.STR.REC.12/21.04.048/2021-22 Dt: May 5, 2021 has extended the above facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions.

**Operational Guidelines:**

- i. The borrower should be classified as a Micro, Small or Medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
- ii. The borrowing entity is 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 March 31, 2021.
- iii. The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021
- iv. **The borrower's account was a 'Standard Asset' as on March 31, 2021.**
- v. The borrower's account was not restructured in terms of the circulars DOR. No. BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars). (i.e accounts which have already been restructured in terms of Circular No: 208-2020-BC-CD DT: 12.08.2020 and Circular No: 164-2019-BC-CD Dt: 31.07.2019 **shall be ineligible** for restructuring under this circular.
- vi. The restructuring of the borrower account is **invoked by September 30, 2021.**
- vii. The restructuring of the borrower account is implemented within **90 days** from the date of invocation.
- viii. 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 restructuring plan for the plan to be treated as implemented.
- ix. In respect of restructuring plans implemented as above, asset classification of borrowers classified as standard 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.**

- x. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, it is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by the Bank by **September 30, 2021**. The reassessed sanctioned limit / drawing power shall be subject to review by the Bank at least on a **half yearly basis and the renewal / reassessment at least on an annual basis**. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions
- xi. The above measures shall be contingent on the Bank satisfying themselves that the same is necessitated on account of the economic fallout from Covid-19. Further, 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
- xii. Resolution under this facility is extended only to borrowers having stress on account of Covid-19.

### **1. Eligible Credit Facilities:**

All Micro, Small and Medium Enterprises borrowal accounts that have met the eligibility criteria laid in point No: (i) to (v), (viii), (x) & (xii)

Accounts which have already been restructured in terms of Circular No: 208-2020-BC-CD DT: 12.08.2020 and Circular No: 164-2019-BC-CD Dt: 31.07.2019 **are not eligible** for restructuring under this circular.

### **2. Eligibility Criteria:**

The borrower's account was a '**standard asset**' as on **March 31, 2021**. In respect of restructuring plans implemented as above, asset classification of borrowers classified as standard 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.**

### **3. Recommended features of Resolution plan:**

- i. The resolution plans may inter alia include rescheduling of payments, refixing the repayment schedule on the outstanding balance (Incl of accrued interest) thereby extending the residual tenor by a maximum of 2 years, conversion of any interest accrued, or to be accrued into another credit facility , revisions in working capital sanctions, granting of moratorium upto a maximum of two years. However, compromise settlements are not permitted as a resolution plan for this purpose

- ii. The extension of 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 shall be maximum of 2 years.
- iii. Conversion of a portion of debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable.
- iv. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
- v. Ensure that Resolution Plan is applicable for only to those accounts for which stress has been created due to the COVID-19 only which may include temporary disruption in the business activity and negative effect on cash flows of the business activity etc created on account of COVID-19 pandemic.

#### **4. Application :**

Normally restructuring cannot take place unless alteration /changes in the original loan agreement are made with the formal consent/application of the borrower. However, the process of restructuring can be initiated by the branch in deserving cases subject to customer agreeing to the terms and conditions. Borrower has to submit necessary evidence to substantiate the request for restructuring, apart from necessary financial statements, such as cash flow statement, Income tax returns, statement of account, projected balance sheet, etc., to determine the financial viability.

The decision on applications received from the customers for invoking restructuring under this facility shall be communicated in writing to the applicant within 30 days of receipt of such application.

#### **5. Time Limit:**

**The last date for invocation of resolution permitted under this window is September 30, 2021.**

Date of Invocation means the day on which the bank and the borrower agreed to proceed with the efforts towards finalizing a resolution plan. In other words, it shall be treated as the date of acceptance by the borrower on the resolution plan sanctioned by the bank.

The Resolution plan should be finalized and implemented within **90 days** from the date of Invocation of the resolution process.

The resolution plan shall be deemed to be **implemented** only if all of the following conditions are met:

- i. All related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the Bank in consonance with the resolution plan being implemented;

- ii. The changes in the terms & conditions of the loans get duly reflected in the books of the Bank;
- iii. Borrower is not in default with the lending institution as per the revised terms.

**6. Documentation:**

Continuation of charge on existing securities. When a restructure package is sanctioned a sanction letter detailing the terms and conditions of restructure package, shall be issued to the concerned borrower and acknowledgement be obtained. Necessary documentation as decided by the bank shall be carried out.

For any other queries/related information, customers are requested to contact their respective Bank branches.

A facility for grievance redressal mechanism for the eligible borrowers for redressal of their grievances arising out of this scheme is available in our Bank's website. Credit Department, Head Office shall act as Grievance Redressal Cell and Chief Manager, Credit Department, Head Office is the Nodal Officer.

**Chief Manager**