

VAISHYA SAHAKARI BANK LTD., MUMBAI

POLICY FOR RESOLUTION FRAME WORK 2.0 RESOLUTION OF COVID – 19 RELATED STRESS OF MICRO, SMALL & MEDIUM ENTERPRISES (MSMEs)

RBI has decided to extend the facilities as mentioned in their earlier circular DOR No. BP. BC / 4 / 21.04.048 / 2020 – 21 dated 06.08.2020 on restructuring of advances to MSMEs borrowers due to uncertainties created by the resources of the COVID – 19 pandemic

IMPLICATION & INTERPRETATION

The intent is to assist all those borrowers whose debt service is affected because of disruption of business due to resurgence of COVID – 19 pandemic. The borrower has to seek relief with justification for availability of the package offers by RBI

INTERPRETATION

The RBI has extended the facility for restructuring without a downgraded in the asset classification subject to :

- 1) Constituents normal course of business is affected due to the resurgence of pandemic
- 2) Pandemic has caused a burden on debt service as cash flows are affected
- 3) The borrower shall be classified as Micro, Small or Medium Enterprises as on 31.03.2021 in terms of the Gazette notification S.O. 2119 (E) dated 26.06.2021

DEFINITION OF MSME

- A) **MICRO** – Investment in a Plant & Machinery or Equipment does not exceed 1 crore rupees & turnover does not exceed 5 crore rupees
- B) **SMALL** – Investment in a Plant & Machinery or equipment does not exceed 10 crore rupees & turnover does not exceed 50 crore rupees
- C) **MEDIUM** – Investment in a Plant & Machinery or equipment does not exceed 50 crore rupees & turnover does not exceed 250 crore rupees
- 4) The borrowing firm must be a GST registered on the date of implementation of the restructuring of advances. This condition will not apply to MSMEs that are exempt from GST Registration
- 5) The aggregate exposure including non – fund based facilities of all lending institutions to the borrower does not exceed Rs. 25 crore on 31.03.2021
- 6) The account of borrower should be standard as on 31.03.2021
- 7) The borrower account was not restructured earlier vide MSMEs various circulars issued by RBI time to time.

IMPLEMENTATION

- 1) Account should be standard as on 31.03.2021
- 2) The restructuring procedure should be completed before 31.12.2021. After receipt of application (as per annexure – I) from the borrower, manager should assess it properly & submit to Head Office for sanction. The communication to that effect should be sent to the borrower within 30 days by the manager.
- 3) The restructuring of the borrower account to be implemented within 90 days from the date of invocation. The last date of invocation is 30/09/2021. In other words application for restructuring should not be accepted from the borrower later than 30/09/2021.
- 4) The manager should confirm that the borrower is a MSME & registered under UDYAM registration portal. If the borrower is not registered under UDYAM, should get registered before the completion of the restructured plan.
- 5) The MSME borrowing account which is standard as on 31.03.2021 & slipped into NPA between 01.04.2021 and date of implementation of restructuring proposal may be treated as Standard Asset on the date of implementation.
- 6) If the account of MSME borrower which was restructured earlier in terms of RBI MSME circulars, bank is permitted as a one time measure to review the working capital sanctioned limit and / or drawing power based on a re-assessment of the working capital cycle, reduction of margin, etc without the same being treated as restructuring. The Head Office should recalculate DP by reducing margin and / or reassessing working capital cycle (within the sanction limit). It should be review on half yearly basis & renewal on yearly basis.
- 7) The provision to be made 10% of residual debt (outstanding amount) of the borrower. 5% on 31st December 2021 & remaining 5% on 31st March 2022.
- 8) Restructuring in the form of
 - Rescheduling of payments maximum 7 years on case to case basis
 - Conversion of interest accrued or to be accrued into another credit facility
 - Revision in working capital sanctions
 - Request for moratorium
- 9) The above measures shall be applicable to those accounts which are suffered due to economic fallout from COVID – 19. Further, accounts provided relief by the bank will be subject to supervisory review as to justifiability.

The sanctioning authority will be loan sub – committee & action of the same will be ratified by the Board of Directors

Submitted for the Approval of the Board

(Sanjay Apishte)
Dy.Chief Executive Officer

(Bharat Salvi)
Chief Executive Officer