

Bank's Lending Policy for MSME:

- Bank will strive to achieve a 20 percent year-on-year growth in credit to Micro and Small enterprises (MSE).
- In case of Micro Enterprises, the Bank proposes to achieve above 7% of ANBC or Credit Equivalent Amount of Off-Balance Sheet exposure, whichever is higher.
- Bank will strive to achieve 10% annual growth in the number of Micro Enterprise accounts.
- Bank will strive to achieve 60% of total lending to MSE sector as on proceeding March 31st reaches Micro enterprises.
- The genuine credit needs of the MSME sector shall be met with.
- As far as possible, the requirements of MSME client for term loan as well as working capital limits shall be taken care of, so as to avoid inconvenience to such borrowers.
- The working capital assessment to MSME clients will normally be made under Turnover Method up to a limit of ₹5.00 core wherein 20% of the projected turnover will be the eligibility for bank finance and 5% of the turnover will be the margin of the borrower. For WC limits above Rs.5.00 crore, assessment will normally be made under Working Capital Gap Method.

In case of service units where primary securities like stock & book debts are low/negligible/not applicable, the following systems will be followed for Working Capital Assessment:

On expenditure basis: In all cases where the exposure is up to ₹5.00 core, the average of accepted expenditure for 60 to 90 days shall be taken as working capital gap and 75% of this will be considered as permissible Bank Finance.

Cash Budget System: For limits exceeding ₹5.00 core

- While considering term loans up to ₹2.00 core to such entities debt equity ratio up to 5:1 may be considered as against the normal debt equity ratio of 3:1 suggested in the case of others. Similarly, the acceptable level of TOL to TNW will be 7:1 in such cases, as against the ratio of 5:1 suggested in other cases.
- As far as possible, drawing is allowed by margin on stock and book debts without insisting for separate sub-limit to debtors.
- As far as possible, the temporary short-term requirements of MSE borrowers will be met expeditiously.
- Bank will not take collateral securities and third party guarantee for loans up to ₹10.00 lakhs to be granted to MSE sector.
- All eligible loans up to ₹10 lakhs per unit to MSE sector shall be covered under the Credit Guarantee scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).
- All eligible loans beyond ₹10.00 lakhs but up to ₹100.00 lakhs per MSE unit will also be covered under CGTMSE as per CGTMSE rules, on case to case basis, irrespective of other facilities sanctioned to/enjoyed by the same MSE unit.
- Waiver of CGTMSE coverage for eligible loans where adequate primary immovable security is created.
- Differential interest rate will be fixed for MSE loan accounts covered under CGTMSE.
- No processing fee for loans up to ₹5 lakh.

Restructuring/rehabilitation policy of the Bank for MSE :

A. Objectives

The objective of the Debt Restructuring Scheme [DRS] for **MSEs** is to ensure timely and transparent mechanism for restructuring the debts of entities declared as “viable/potentially viable” and facing problems, for the benefit of all concerned. In particular, the framework will aim at preserving viable MSEs that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme.

B. Eligibility Criteria of Cases under MSE-DRS:

The Debt Restructuring guidelines shall be applicable for the following MSE entities, which are declared as "Sick" and viable or potentially viable:

All corporate and non-corporate MSEs irrespective of the total exposure to the banking sector.

All corporate MSEs, which have funded and non-funded outstanding up to Rs.10 crore under multiple/ consortium banking arrangement

C. Cases, Which Cannot Be Considered Under MSE-DRS:

- Accounts of Units declared as "Unviable" or classified as "Loss Assets".
- Accounts of Units involving malfeasance/fraud or where diversion of funds with *mala fide* intention has been observed.
- In the case of accounts referred to BIFR, the proposal of restructuring shall be approved by BIFR and any condition stipulated by BIFR should be complied with before implementation of the package.
- Accounts identified as wilful defaulters will not generally be considered for restructuring.
- Accounts of Units becoming sick on account of willful mismanagement, disputes among partners / promoters etc.

D. Stages at which proposal under MSME-DRS can be considered:

Any account irrespective of present status of irregularity can be considered for restructuring provided it meets the viability criteria as set under para E below. However, if a NPA account is restructured it shall be upgraded only after completion of satisfactory performance for one year as per prudential norms.

E. Viability criteria for MSME-DRS :

The following viability criteria are prescribed.

PARTICULARS	VIABILITY NORMS FOR MSME-DRS
Minimum Average DSCR	1.25
Maximum Period within which the unit should become viable	7 years
Maximum Repayment period of the restructured debt	12 years
Minimum Promoters' Contribution (of which at least 50% must come upfront and balance within 6 months)	Micro sector -10% All other sectors - 15%

F. Procedure :

The borrowers intending to avail the benefits of restructuring under DRS for MSMEs shall approach the branch with the following papers:

- Request for restructuring of debts.
- Copies of the Balance Sheet and Profit and Loss A/c of the borrower for the last three years.
- Unaudited data for the current year.
- For projects under implementation, details of sources and uses of funds since inception.
- Projected profitability statement covering the period of repayment proposed for restructured debt, along with the calculation of DSCR.
- Projected Balance Sheet and Profit and Loss A/c covering the period of repayment proposed for the restructured debt.
- Techno-economic viability study report to be obtained for exposure of Rs.10.00 crore and above.
- Statement showing identification of the sources of margin money.
- Statement showing the annual working capital requirement.

G. Legal Basis :

While considering restructuring of accounts under MSE sector, exchange letters duly signed by borrower/s, co-obligant/s, surety/ies shall be obtained in the cases where there is only simple change in repayment schedule. If the restructuring involves modification of terms of original loan documents beyond simple change in repayment schedule, then revised documents shall be obtained in addition to exchange letters.