

## OFFICE NOTE

Date: 29.05.2021

### POLICY ON RESTRUCTURING OF MSME LOANS

Sub: Micro, Small and Medium Enterprises(MSME) Sector- Restructuring of Advances.

Brief Resume:- MSME is one of the very important sector which contribute nearly 8% of the country's GDP and have contributed substantially to the country's socio economic development. This vital sector is considered as backbone of the Indian economy and has rendered lot of gainful employment opportunities at comparatively lower capital cost. Our Bank has also advanced to MSME sector and our total exposure is to the tune of Rs. 60.00 crores as on 31.03.2021.

MSME Sector is perhaps one of the hardest hit due to COVID-19 pandemics and subsequent lockdown. The corona virus has resulted in severe impact on business cycle, disruptions in supply of raw material, migration of labour force and lack of demand etc. Hence, it is necessary that MSMEs get much needed support so that viable MSMEs entities come out of the difficult situation and come back on track and recommence their operations with the required pace and efficiency.

One such measure is 'Relief in Asset Classification' by extending the benefit of Restructuring of the Advances under MSME sector.

RBI Guidelines:- RBI has come out with various circular in this regard.

- i. Circular No: DBR.NO.BP.BC.18/21.04.048/2018-19 dated 01.01.2019.
- ii. Circular No. DOR.NO.BP.BC.34/21.04.048/2019-20 dated 11.02.2020.
- iii. Circular No. DOR.NO.BP.BC/4/21.04.048/2020-21 dated 06.08.2020.
- iv. Circular No. DOR NO.STR.REC/12/21.04.048/2021-22 dated 05.05.2021

RBI vide aforesaid circular has advised the Banks to restructure existing loans to MSMEs which are under COVID-19 related stress and which are

classified as 'standard' and also not to downgrade the asset classification of such accounts.

Terms and conditions for Restructuring of Stressed MSME Accounts:

- 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 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 Rs. 50 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).
- 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. Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.

- x. All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.
- xi. In respect of account of borrowers which were restructured in terms of the MSME restructuring circulars, Bank shall 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.

Place:- Bicholim - Goa For The Bicholim Urban Co-op. Bank Ltd.

Date:- 29.05.2021

  
Managing Director (G. A. A.)