

Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises

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The objective of this framework is to provide simple and faster mechanism to address the stress in the MSME's accounts.

Eligibility: The provisions made in this framework shall be applicable to MSMEs having loan limits up to Rs. 25 Crore, including accounts under consortium or multiple banking arrangements (MBA). The rest of the MSMEs can request the bank for rehabilitation / restructuring and the same would be processed under applicable restructuring / rehabilitation policy of the bank.

Process to be followed :

1) Before a loan account of a Micro, Small and Medium Enterprise turns into a Non-Performing Asset (NPA), bank would classify the stress account in SMA categories as per existing Framework for Revitalising Distressed Assets.

2) If the account with aggregate limits of more than Rs 10 lakh shows signs of early stress identified by way of their classification under SMA – 0/1/2, the account has to be referred to the Committee within 5 working days for a suitable correction plan. Forwarding the account to the Committee for CAP will be mandatory in cases of accounts reported as SMA-2.

3) Any MSME borrower enjoying aggregate limits of more than Rs 10 lakh may voluntarily initiate proceedings, under this framework and submit an application to the branch or Committee, if it apprehends failure of its business or there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year. The Committee should convene its meeting within 5 working days. The application by the enterprise should inter-alia include: Latest audited accounts of the Enterprise including its Net worth; (b) Details of all liabilities of the enterprise, including the liabilities owed to the State or Central Government and unsecured creditors, if any; (c) Nature of stress faced by the Enterprise; and (d) Suggested remedial actions

4) Within 30 days of convening its first meeting for a specific enterprise, the Committee shall take a decision on the option to be adopted under the corrective action plan which may include rectification, restructuring or recovery. The enterprise shall be notified within 5 working days from the date of such decision.

5) If the corrective action plan decided by the Committee envisages restructuring of the debt of the enterprise, the Committee shall conduct the detailed Techno-Economic Viability (TEV) study and finalize the terms of such a restructuring in accordance with the extant prudential norms for restructuring, within 20 working days (for accounts having aggregate exposure up to Rs.10 crore) and within 30 working days (for accounts having aggregate exposure above Rs.10 crore and up to Rs.25 crore) and notify the enterprise about such terms, within 5 working days. Wilful defaulters shall not be

eligible for restructuring.

6) Upon finalization of the terms of the corrective action plan (CAP), the implementation of that plan shall be completed by the bank within 30 days (if the CAP is Rectification) and within 90 days (if the CAP is restructuring). In case recovery is considered as CAP, the recovery measures shall be initiated at the earliest.

7) The decisions agreed upon by a majority of the creditors (75% by value and 50% by number) in the Committee would be considered as the basis for proceeding with the restructuring of the account and will be binding on all lenders.

8) Detailed time-lines are given for carrying out various activities under the Framework. If the Committee is not able to decide on CAP and restructuring package due to non-availability of information on statutory dues of the borrower, the Committee may take additional time not exceeding 30 days for deciding CAP and preparing the restructuring package.

9) Additional Finance: If the Committee decides that the enterprise requires financial resources to restructure or revive, additional finance should be matched by contribution by the promoters in appropriate proportion which should not be less than the proportion at the time of original sanction of loans. Additional funding provided under restructuring / rectification as part of the CAP will have priority in repayment over repayment of existing debts.

10) In case the Committee decides that recovery action is to be initiated against an enterprise, such enterprise may request for a review of the decision by the Committee within a period of 10 working days from the date of receipt of the decision of the Committee.

As regards accounts with aggregate loan limits up to Rs.10 lakh identified as SMA-2, the account should be mandatorily examined for CAP by the branch itself under the authority of the branch manager / such other official (hereinafter referred to as 'designated official') as decided by the bank