

## A. Background & Objective

RBI has on 5<sup>th</sup> May 2021, vide its circulars, allowed a window to Financial Institutions (Including NBFC's) to implement resolution plans for MSME's & small businesses.

This is with the objective of alleviating potential stress to such borrowers, due to resurgence of the 2<sup>nd</sup> wave of the CoVID -19 pandemic over last few months. The resolution plans implemented under this window may include restructuring / reschedulement, granting of moratorium etc.

The cut off dates specified under this window are as below

- for invocation / sanction of resolution – 30<sup>th</sup> Sept, 2021
- for implementation / rebooking with revised repayment terms – within 90 days from date of invocation / sanction

## B. Eligibility Criteria

The below eligibility criteria have been specified for MSME & Small Businesses

<b>MSME</b>	<b>Small Businesses</b>
<ul style="list-style-type: none"> <li>➤ Borrower is classified as MSME as on 31<sup>st</sup> March '21 (complying with updated MSME classification norms issued in June 2020)</li> <li>➤ Is GST registered on the date of implementation of the restructuring (unless exempt, as on 31<sup>st</sup> March 21)</li> <li>➤ aggregate exposure of all lending institutions is not more than Rs.50 crore (as on 31<sup>st</sup> March 2021)</li> <li>➤ standard asset as on 31<sup>st</sup> March '21</li> <li>➤ not restructured earlier in terms of MSME restructuring circulars issued by RBI earlier (on 1<sup>st</sup> Jan '19, 11<sup>th</sup> Feb '20 or 6<sup>th</sup> Aug '20)</li> <li>➤ registered under the Udyam Portal for MSME registration, prior to implementation of the resolution plan</li> </ul>	<ul style="list-style-type: none"> <li>➤ Small businesses, including those engaged in retail and wholesale trade</li> <li>➤ other than those classified as MSME (as on March 31, 2021)</li> <li>➤ aggregate exposure of all lending institutions is not more than Rs.50 crore (as on 31<sup>st</sup> March 2021)</li> <li>➤ standard asset as on 31<sup>st</sup> March '21</li> <li>➤ not availed of resolution under the earlier framework 1.0 (issued by RBI of 6<sup>th</sup> Aug '20)</li> </ul>

If **all the above criteria are met**, then

1. asset classification of borrowers classified as standard (on 31<sup>st</sup> March '21) may be retained as such,
2. accounts which may have slipped into NPA category
  - a. between 1<sup>st</sup> April '21 and 30<sup>th</sup> Sept '21
  - OR
  - b. between date of invocation & date of implementation,

may be upgraded as standard asset, on the date of implementation of the restructuring plan.

**Total time allowed between invocation and implementation will be 90 days from date of invocation. Invocation can be done only before 30th Sep'21**

If **any of the above criteria are not met**, then asset classification of such borrowers will be downgraded to substandard / NPA

Basis the above, we will offer the Sanjivni / Customer Outreach solution to

- All customers across all segments / programs
- Requesting for reschedulement / restructuring with reference to the recent RBI announcement

**Note – Thus existing Sanjivni customers classified as standard on 31<sup>st</sup> March 21 & availing of restructuring under this resolution framework, would be**

1. classified as Sub-standard
2. reported as substandard to credit bureaus

### **C. Key additional considerations at the time of implementation of the scheme as below:**

- **Target Borrowers** – would be those exhibiting stress, as demonstrated by they lagging behind in repayments to us (i.e.  $\geq 30$ DPD)
- **Due Diligence** –
  - Business premise visit by the frontline business / collection / underwriting team members, to establish continuity of business operations AND / OR
  - Interaction with the borrower seeking explicit consent of such customers over Telecall / email & to establish intent & willingness to repay us
  - Credit Bureau checks to establish recent repayment behaviour of borrower to other financiers

- **Solution Variants –**

- Tenor Enhancement (i.e. increase in tenor by upto 24 months)
- with / without Principal Moratorium OR Principal + Interest Moratorium of upto 6 months

**Note –**

1. In the Principal + Interest Moratorium solution – interest would continue to accrue during moratorium period, although due only after end of moratorium period.
2. Unpaid Interest would be capitalised at the time of restructuring

- **APR %** - Same as the existing term loan

- **Grievance Redressal** – Grievances, if any, of borrowers during & post implementation of the resolution , would be resolved vide the Grievance redressal mechanisms already in place ([grievanceofficer@neogrowth.in](mailto:grievanceofficer@neogrowth.in); [nodalofficer@neogrowth.in](mailto:nodalofficer@neogrowth.in))

#### **D. Asset Classification Norms & Credit Bureau Reporting**

- **Asset Classification of Loans**

- meeting the RBI specified eligibility criteria (listed in this note) – to be basis the End of Month ( EOM ) reported DPD.
- not meeting with the RBI specified eligibility criteria – to be minimum substandard.

- **Credit Bureau Reporting** - Exposure to be reported to Credit Bureaus / Credit Information Companies (CIC's) as per extant RBI Guidelines

Detailed RBI Circulars issued on 5<sup>th</sup> May '21 (read with circular issued on 4<sup>th</sup> June '21) in this regard attached below:

[MSME Resolution Framework 2.0 Circular](#)

[Small Business Resolution Framework 2.0 Circular](#)

[MSME Resolution Framework 2.0 Circular - Aggregate exposure criteria](#)

[Small Business Resolution Framework 2.0 Circular - Aggregate exposure criteria](#)