

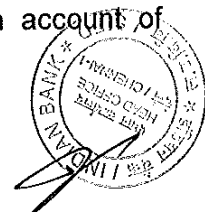
**Debt Restructuring Mechanism for Micro, Small and Medium Enterprises- (SMEs)**

**Definition of SMEs:**

SECTOR	MANUFACTURING	SERVICES
	{Enterprises engaged in Manufacturing or production of goods pertaining to any industry	{Enterprises engaged in providing or rendering services} (subject to per borrower ceiling of Bank loan of Rs.5 crores)
	<b>Where the investment in plant and machinery (Gross Block)</b>	<b>Where the investment in equipment (Gross Block)</b>
<b>Micro Enterprises</b>	does not exceed twenty five lakh rupees	does not exceed ten lakh rupees
<b>Small Enterprises</b>	is more than twenty five lakh rupees but does not exceed five crore rupees	is more than ten lakh rupees but does not exceed two crore rupees
<b>Medium Enterprises</b>	is more than five crore rupees but does not exceed ten crore rupees	more than two crore rupees but does not exceed five crore rupees

**I. Eligibility**

1. This mechanism will be applicable to all the Small and Medium Enterprises (SME) borrowers, including Service Sector Enterprises, which have funded and non-funded outstanding up to Rs.10 crores under multiple/consortium banking arrangement.
2. The mechanism will be applicable to all Corporate and non Corporate SMEs, irrespective of their outstanding, which are enjoying credit facilities under Single banking arrangement from our Bank.
3. This mechanism will be applicable to sick / weak units in Small and Medium Enterprises Sectors and also to units showing symptoms of incipient sickness like:
  - i. There is delay in commencement of commercial production by more than six months for reasons beyond the control of promoters and entailing cost overrun.
  - ii. The company incurs losses for two years or cash loss for one year, beyond the accepted timeframe on account of



change in economic and fiscal policies affecting the working of MSEs or otherwise.

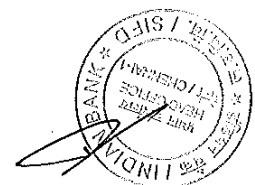
- iii. The capacity utilization is less than 50% of the projected level in terms of quantity or the sales are less than 50% of the projected level in terms of value during a year.
- iv. Accounts reported under SMA category.

## **II. Criteria for Restructuring of advances:**

1. The borrowal account should have asset classification in Standard, Sub Standard and Doubtful category as per Prudential norms. Accounts classified as "Loss Asset" by the bank are not to be covered under SME Debt Restructuring Mechanism.
2. Accounts will be taken up for restructuring only when the financial viability is ascertained to a reasonable certainty of repayment of bank dues by the borrower, based on acceptable viability benchmark prescribed by the bank. Considering complexities involved in restructuring Micro, Small and Medium Enterprise accounts with limited capabilities on the part of entrepreneurs to resort to financial planning and provide information with requisite data integrity, it is proposed that for the purpose of determining the tenor of advance under restructuring and the reliefs / concessions to be offered; DSCR may be reckoned as prime financial indicator, with average DSCR not being less than 1.20 with the condition that minimum of 1 for each year during repayment period. Besides, interest coverage ratio may also be analysed and acceptable range for the same is between 1.00 to 1.20.
3. Banks cannot restructure / reschedule / renegotiate borrowal accounts with retrospective effect.
4. The usual asset classification norms would continue to apply while the restructuring proposal is under process / consideration.
5. BIFR cases are not eligible for restructuring without their express approval.
6. The process of restructuring can be initiated in all deserving cases subject to borrower agreeing to the terms and conditions.
7. Accounts involving willful default, fraud and malfeasance are not eligible for restructuring.

## **III. TIME FRAME FOR RESTRUCTURING**

Maximum period of 120 days from date of receipt of requests with requisite details to work out restructuring package and implement the same.



#### **IV. PRUDENTIAL NORMS FOR RESTRUCTURED ACCOUNTS**

As per RBI guidelines issued from time to time.

#### **V. REPEATED RESTRUCTURING:**

The special dispensation for asset classification shall be available only when the account is restructured for the first time.

#### **VI. PROCEDURE:**

- a. The restructuring would follow a receipt of a request to that effect from the borrowing units with requisite details .
- b. In case of eligible SMEs which are under consortium/multiple banking arrangements, the bank with the maximum outstanding may, work out the restructuring package, along with the bank having the second largest share.

#### **VII. OPERATIONAL ASPECTS:**

Restructuring should be done by way of rephasing of term loans, blocking of working capital with a repayment schedule, sanction of additional finance. Period of rephasing and quantum of blocking/ additional finance to be determined based on cash flow & genuine credit needs on a case to case basis by the sanctioning authority.

