

## **Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs) - Policy of the Bank**

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. Our Board has approved the policy. The Bank has adopted the framework for Revival and Rehabilitation of Micro, Small & Medium Enterprises (MSMEs). 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 arrangement (MBA). The sector MSME referred above is defined in MSME Act 2016

According to the RBI directions, all banks having exposure towards MSME sector shall constitute a Committee at each district where they are present or at Division level or Regional Office level, depending upon the number of MSME units financed in the region. Regional level Committee has been constituted in our Bank for this purpose. These Committees will be Standing Committees and will resolve the reported stress of MSME accounts of the branches falling under their jurisdiction. For MSME borrowers having credit facilities under a consortium of banks or multiple banking arrangement (MBA), the consortium leader, or the bank having the largest exposure to the borrower under MBA, as the case may be, shall refer the case to its Committee, if the account is reported as stressed either by the borrower or any of the lenders under this Framework. This Committee will also coordinate between the different lenders.

In terms of the policy Any MSME borrower may voluntarily initiate proceedings under this Framework, if the enterprise reasonably apprehends failure of its business or its inability or likely inability to pay debts 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, by making an application to the branch or directly to the Committee as referred above, wherever applicable. When such a request is received by lender, the account with aggregate loan limits above Rs.10 lakh should be referred to the Committee. The Committee should convene its meeting at the earliest but not later than five working days from the receipt of the application, to examine the account for a suitable CAP.

## **Application to the Committee for a Corrective Action Plan**

Our Bank on identifying an MSME account as SMA-2 or suitable for consideration under the Framework or on receipt of an application from the stressed enterprise, shall forward the cases having aggregate loan limits above Rs.10 lakh to the Committee for immediate convening of meeting and deciding on a CAP. Stressed enterprises having aggregate loan limits above Rs.10 lakh can also directly file an application for CAP to the Committee or to the largest lender for onward submission under advice to all its lenders, which, inter-alia, should include the following:

1. Latest audited accounts of the Enterprise including its Net worth;
2. Details of all liabilities of the enterprise, including the liabilities owed to the State or Central Government and unsecured creditors, if any;
3. Nature of stress faced by the Enterprise; and
4. Suggested remedial actions

Where an application is filed by a branch/lender and admitted by the Committee, the Committee shall notify the concerned enterprise about such application within five working days and require the enterprise to:

- respond to the application or make a representation before the Committee; and
- disclose the details of all its liabilities, including the liabilities owed to the State or Central Government and unsecured creditors, if any, within fifteen working days of receipt of such notice;

Provided that if the enterprise does not respond within the above period, the Committee may proceed ex-parte

## **Review**

- 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 ten working days from the date of receipt of the decision of the Committee.
- The request for review shall be on the following grounds:
  1. A mistake or error apparent on the face of the record; or
  2. Discovery of new and relevant fact or information which could not be produced before the Committee earlier despite the exercise of due diligence by the enterprise.
- A review application shall be decided by the Committee within a period of thirty days from the date of filing and if as a consequence of such review, the Committee decides to pursue a fresh corrective action plan, it may do so.