

# **POLICY ON FRAMEWORK FOR REVIVAL AND REHABILITATION OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**

## **BACKGROUND AND REFERENCE**

The Government of India, vide Notification no. FIDD.MSME&NFS.BC.No. 21/06.02.31/2015-16 dated March 17, 2016 had notified a revised 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'.

Under this Policy, each Bank will form a “**Committee for Stressed Micro, Small and Medium Enterprises**” (CSMSME) as per the following arrangements:

1. These Committees will be Standing Committees and will resolve the reported stress of MSME accounts of the branches/Centres/Units falling under their jurisdiction.
2. For MSME borrowers having credit facilities under a consortium of banks or multiple banking arrangement (MBA) the request shall be referred to the consortium leader or the bank having the largest exposure to the borrower under MBA.
3. Wherever we are the lead bank or the bank having the largest exposure to the request received from the other bank(s) shall be referred to the CSMSME if the account is reported as stressed either by the borrower or any of the lenders under this framework. This Committee will also coordinate with the other lenders.

## **Eligibility:**

The provisions made in this framework shall be applicable to Micro, Small & Medium Enterprises (MSMEs) having loan limits above Rs 10 lacs and up to Rs.25 crore and classified as SMA 2 (Principal or interest overdue between 61 to 90 days), including accounts under consortium or multiple banking arrangement (MBA).

This policy basically intends to cover viable or potentially viable MSME units (both manufacturing and service) those are facing problems which can be overcome with timely remedial/corrective action.

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

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 Centre/Unit or directly to the Committee

## **Corrective Action Plan (CAP) by the CSMSME Committee**

The Committee will explore various options to resolve the stress in the account and shall decide the CAP as per the specific requirements and position of each case. Techno-Economic viability (TEV study) is mandatory for accounts with aggregate exposure of Rs 10 crs and above, before finalization of CAP.

The options under CAP by the Committee may include:-

**Rectification:**

Obtaining a commitment, specifying actions and timelines, from the borrower to regularize the account so that the account comes out of SMA status or does not slip into the Non-Performing Asset category and the commitment should be supported with identifiable cash flows within the required time period and without involving any loss or sacrifice on the part of the existing lenders.

**Restructuring:**

Consider the possibility of restructuring the account, if it is prima facie viable and the borrower is not a wilful defaulter, i.e., there is no diversion of funds, fraud or malfeasance, etc.

**Recovery:**

Once the first two options at (a) and (b) above are seen as not feasible, due recovery process may be resorted to. The Committee may recommend recovery in the account.

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 (CAP) and notify the enterprise about such a decision, within five working days from the date of such decision. 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. However, they should not wait beyond this period and proceed with CAP.

**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:**

- (a) a mistake or error apparent on the face of the record; or
- (b) 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.

**Non-viable Units:** Units declared as ‘unviable’ after a viability study will be proceeded against for initiating appropriate recovery proceedings.

1. [Application format for MSME account up to Rs. 10.00 Lacs](#)
2. [Application format for MSME account above Rs. 10.00 Lacs](#)