

Indian Bank , CO: Chennai

Framework for Revival and Rehabilitation of MSME

1. Eligibility:

This framework is applicable to MSMEs having loan limits upto Rs.25 crore, including accounts under consortium or multiple banking arrangement (MBA).

2. Identification of incipient stress

2.1 Identification by banks or creditors - Before a loan account of a Micro, Small and Medium Enterprise turns into a Non-Performing Asset (NPA), banks or creditors should identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA) category as given in the Table below:

SMA – Sub categories	Basis for classification
SMA - 0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress
SMA – 1	Principal or interest payment overdue between 31 – 60 days
SMA - 2	Principal or interest payment overdue between 61 – 90 days

On the basis of the above early warning signals, the branch maintaining the account should consider forwarding the stressed accounts with aggregate loan limits above Rs.10 lakh to the Committee as referred in para 3.3 for a suitable corrective action plan (CAP).

2.2 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

2.3 Identification by the Borrower Enterprise - 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.

3. Committees for Stressed Micro, Small and Medium Enterprises:

In order to enable faster resolution of stress in an MSME account, Committees for Stressed Micro, Small and Medium Enterprises shall be formed as per the following arrangements:

3.1 Committee for Stressed MSME shall be formed at each Zonal Office. These Committees will be Standing Committees and will resolve the reported stress of MSME accounts of the branches falling under their jurisdiction.

3.2 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.

4. Corrective Action Plan by the Committee

The Committee may explore various options to resolve the stress in the account. The options under CAP by the Committee may include:

(a) Rectification:- Obtaining a commitment, specifying actions and timelines, from the borrower to regularise the account so that the account comes out of Special

Mention Account 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. Further, repeated rectification with funding, within the space of one year, will be treated as a restructuring and no additional finance should be sanctioned under CAP, in cases where the account has been reported as fraud by any lender.

(b) 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. Commitment from promoters for extending their personal guarantee along with their net worth statement supported by copies of legal titles to assets may be obtained along with a declaration that they would not undertake any transaction that would alienate assets without the permission of the Committee.

(c) 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 decide the best recovery process to be followed, among the various legal and other recovery options available, with a view to optimizing the efforts and results.