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NEW MSME LOAN PRODUCT – “IND-MSE COVID EMERGENCY LOAN”
Product Code: 5630 0001

In wake of the novel Corona virus (Covid-19) outbreak, over 50 per cent of Indian companies have impact on their operations and nearly 80 per cent have witnessed decline in cash flows. The pandemic has presented fresh challenges for the country's economy, causing severe disruptive impact on both demand and supply side elements. Besides the direct impact on demand and supply of goods and services, business enterprises are also facing reduced cash flows due to slowing economic activity, which in turn is having an impact on all payments including to those for employees, interest, loan repayments and taxes.

To overcome the difficulties faced by Micro & Small Enterprises (MSEs), it is proposed to extend them a helping hand by providing additional finance to meet the crisis. In this backdrop, a new product “IND-MSE COVID EMERGENCY LOAN” has been launched which will help MSEs in meeting temporary liquidity mismatches.

Guidelines of the product, Standard Operating Procedure and FAQs are given in Annexure.

Field level functionaries are advised to utilize the product to support the MSEs to overcome the crisis.


K S SUDHAKARA RAO
GENERAL MANAGER (MSME)

Annexure I : Guidelines of the Product – “IND-MSE COVID EMERGENCY LOAN”

Annexure II : Standard Operating Procedure

Annexure III : Frequently Asked Questions.



Annexure –I
Guidelines of the product – “IND-MSE COVID EMERGENCY LOAN”
Product Code: 5630 0001

Parameter	Norms												
1. Target Group	Existing Micro & Small Borrowers												
2. Purpose	To meet the temporary liquidity mismatch due to outbreak of COVID-19 disease.												
3. Eligibility	All existing accounts in “Standard Category” but not in SMA 1 / SMA 2 at the time of sanction of this facility.												
4. Validity	Scheme is valid upto 30.09.2020												
5. Nature of facility	Term Loan												
6. Quantum of Loan	<ul style="list-style-type: none"> 10% of Fund Based Working Capital limits subject to a Maximum of Rs. 50 lakhs. 10% of Composite Term Loan facility subject to a maximum of Rs. 10 lakhs. <p>If the borrower is enjoying both FB Working capital facility & Term Loan, limit should be considered based on the FB working capital limits only. NFB limit should not be considered for assessment.</p>												
7. Margin	Nil												
8. Rate of Interest	8.75% p.a. (FIXED)												
9. Period	<table border="1"> <thead> <tr> <th>Limit upto</th> <th>Door to Door Tenor</th> <th>Holiday Period</th> <th>Repayment Period</th> </tr> </thead> <tbody> <tr> <td>Rs. 25 lakhs</td> <td>42 months</td> <td>6 months</td> <td>36 EMIs</td> </tr> <tr> <td>Above Rs. 25 lakhs & upto Rs. 50 lakhs</td> <td>60 months</td> <td>6 months</td> <td>54 EMIs</td> </tr> </tbody> </table> <p>Holiday period interest is to be capitalized and to be repaid along with Principal in EMIs after completion of holiday period.</p>	Limit upto	Door to Door Tenor	Holiday Period	Repayment Period	Rs. 25 lakhs	42 months	6 months	36 EMIs	Above Rs. 25 lakhs & upto Rs. 50 lakhs	60 months	6 months	54 EMIs
Limit upto	Door to Door Tenor	Holiday Period	Repayment Period										
Rs. 25 lakhs	42 months	6 months	36 EMIs										
Above Rs. 25 lakhs & upto Rs. 50 lakhs	60 months	6 months	54 EMIs										
10. Security	Existing Primary, Collateral Security and personal guarantees to be extended for this facility												
11. CGTMSE Cover	To be obtained, wherever eligible.												
12. Sanctioning Powers	As per Delegation of powers.												
13. Processing Charges & other charges (Documentation charges, EM charges, Review charges etc.)	N I L												
14. Review	Annual basis.												
15. Others	15.1 The loan should be considered at the specific request of the borrower. 15.2 The loan should be utilized for business purposes. A declaration to be obtained & kept on record. 15.3 The operations in the existing accounts should be satisfactory. 15.4 IRAC norms as stipulated to Term Loan shall be applicable.												
16. Documentation	16.1 D 101 – Agreement for hypothecation of movables 16.2 D 33 / D34A – Extension of Equitable Mortgage, if any. 16.3 D 57 – Agreement of Guarantee 16.4 D 11 - Acknowledgement of Debt cum Security												



“IND-MSE COVID EMERGENCY LOAN”

STANDARD OPERATING PROCEDURE

AT BRANCH LEVEL

1. Identification of Borrower.
2. All the existing accounts of the borrower should be in “Standard Category” but not in SMA 1 / SMA 2 at the time of sanction
3. Application in the prescribed format with credentials is to be obtained.
4. Due diligence / compliance with KYC norms shall be ensured.
5. Pre sanction survey to be done to ensure that unit is functioning.
6. Branches to endeavour to achieve TAT of 7 days for sanction.
7. Documentation to be done as per norms.
8. Loan account to be opened with the applicable product code.
9. Pre Sanction and Post Sanction Visit reports to be kept along with loan documents.
10. Borrower should route all the business transactions through our Bank.
11. Periodic visits to the unit to be done.
12. Regular monitoring to be done.

AT ZO LEVEL

1. Wherever Delegation of power is vested with Zonal Office, upon receipt of proposal from Branch, ZO to ensure sanction is accorded within TAT.
2. ZO to explore the possibility of gathering details of MSME units, who are facing the crisis by contacting the associations etc. to support them by extending this product.

AT CO LEVEL

1. Review of the product to be done at the end of quarter ended June 2020 & September 2020



Annexure-III
“IND-MSE COVID EMERGENCY LOAN”
Frequently Asked Questions (FAQs)

S. No	Question	Answer
1	How to fix EMI for the loan availed under the product.	As per the product guidelines, holiday period interest is to be capitalized and repaid along with principal in EMIs. EMI is to be calculated as per illustration given below.
2	Whether the product can be extended to Restructured account	Yes. But the account should be in “Standard” category but not in SMA 1 / SMA 2 at the time of sanction of this facility.
3	Whether loan under this product can be considered to borrower whose account was in SMA 1 / SMA 2 but regularized before submission of application.	Yes. It should be ensured that the unit is functioning and the default in the past is due to genuine reasons only.
4	End use verification	A declaration from the borrower that the loan amount is utilized for business purposes is to be obtained & kept on record.

IND-MSE COVID EMERGENCY LOAN - Illustrations for fixing EMI

1	Loan Amount sanctioned	Rs. 30,00,000/-	
2	Date of sanction	02.04.2020	
3	Date of availment	03.04.2020	
4	Period of Loan	Door to Door Tenor	60 months
		Holiday Period	6 months
		Repay period	54 months
5	E M I	Rs. 70,370/-	Calculation as below

Specimen statement of account:

DATE	PARTICULARS	Debit (Rs.)	Credit	BALANCE (Rs.)
03-Apr-20	To advance	30,00,000		30,00,000
30-Apr-20	To interest	19,418		30,19,418
31-May-20	To interest	22,439		30,41,857
30-Jun-20	To interest	21,876		30,63,733
31-Jul-20	To interest	22,768		30,86,501
31-Aug-20	To interest	22,937		31,09,439
30-Sep-20	To interest	22,362		31,31,800

EMI for Rs. 31,31,800/- @ 8.75% p.a. for 54 months is Rs. 70,370/-

