

A. Background & Objective

RBI has on 5th May 2021, vide its circulars, allowed a window to Financial Institutions (Including NBFC's) to implement resolution plans for MSME's & small businesses.

This is with the objective of alleviating potential stress to such borrowers, due to resurgence of the 2nd wave of the CoVID -19 pandemic over last few months. The resolution plans implemented under this window may include restructuring / reschedulement, granting of moratorium etc.

The cut off dates specified under this window are as below

- for invocation / sanction of resolution – 30th Sept, 2021
- for implementation / rebooking with revised repayment terms – within 90 days from date of invocation / sanction

B. Eligibility Criteria

The below eligibility criteria have been specified for MSME & Small Businesses

MSME	Small Businesses
<ul style="list-style-type: none"> ➤ Borrower is classified as MSME as on 31st March '21 (complying with updated MSME classification norms issued in June 2020) ➤ Is GST registered on the date of implementation of the restructuring (unless exempt, as on 31st March 21) ➤ aggregate exposure of all lending institutions is not more than Rs.25 crore (as on 31st March 2021) ➤ standard asset as on 31st March '21 ➤ not restructured earlier in terms of MSME restructuring circulars issued by RBI earlier (on 1st Jan '19, 11th Feb '20 or 6th Aug '20) ➤ registered under the Udyam Portal for MSME registration, prior to implementation of the resolution plan 	<ul style="list-style-type: none"> ➤ Small businesses, including those engaged in retail and wholesale trade ➤ other than those classified as MSME (as on March 31, 2021) ➤ aggregate exposure of all lending institutions is not more than Rs.25 crore (as on 31st March 2021) ➤ standard asset as on 31st March '21 ➤ not availed of resolution under the earlier framework 1.0 (issued by RBI of 6th Aug '20)

If all the above criteria are met, then

1. asset classification of borrowers classified as standard (on 31st March '21) may be retained as such,
2. accounts which may have slipped into NPA category
 - a. between 1st April '21 and 30th Sept '21
 - OR
 - b. between date of invocation & date of implementation,
 may be upgraded as standard asset, on the date of implementation of the restructuring plan.

Total time allowed between invocation and implementation will be 90 days from date of invocation. Invocation can be done only before 30th Sep'21.

If **any of the above criteria are not met**, then asset classification of such borrowers will be downgraded to substandard / NPA

Basis the above, we will offer the Sanjivni / Customer Outreach solution to

- All customers across all segments / programs
- Requesting for reschedulement / restructuring with reference to the recent RBI announcement

Note – Thus existing Sanjivni customers classified as standard on 31st March 21 & availing of restructuring under this resolution framework, would be

1. **classified as Sub-standard**
2. **reported as substandard to credit bureaus**

C. Key additional considerations at the time of implementation of the scheme as below:

- **Target Borrowers** – would be those exhibiting stress, as demonstrated by they lagging behind in repayments to us (i.e. ≥ 30 DPD)
- **Due Diligence** –
 - Business premise visit by the frontline business / collection / underwriting team members, to establish continuity of business operations AND / OR
 - Interaction with the borrower seeking explicit consent of such customers over Telecall / email & to establish intent & willingness to repay us
 - Credit Bureau checks to establish recent repayment behaviour of borrower to other financiers
- **Solution Variants** –
 - Tenor Enhancement (i.e. increase in tenor by upto 24 months)
 - with / without Principal Moratorium OR Principal + Interest Moratorium of upto 6 months

Note –

 1. In the Principal + Interest Moratorium solution – interest would continue to accrue during moratorium period, although due only after end of moratorium period.
 2. Unpaid Interest would be capitalised at the time of restructuring
- **APR %** - Same as the existing term loan
- **Grievance Redressal** – Grievances, if any, of borrowers during & post implementation of the resolution , would be resolved vide the Grievance redressal mechanisms already in place (grievanceofficer@neogrowth.in; nodalofficer@neogrowth.in)

D. Asset Classification Norms & Credit Bureau Reporting

- **Asset Classification of Loans**
 - meeting the RBI specified eligibility criteria (listed in this note) – to be basis the End of Month (EOM) reported DPD.
 - not meeting with the RBI specified eligibility criteria – to be minimum substandard.
- **Credit Bureau Reporting** - Exposure to be reported to Credit Bureaus / Credit Information Companies (CIC's) as per extant RBI Guidelines

Detailed RBI Circulars issued on 5th May '21 in this regard (with relevant areas highlighted) attached below:

[MSME Resolution Framework 2.0 Circular](#)

[Small Bizz Resolution Framework 2.0 Circular](#)