

THE SIRSI URBAN SAHAKARI BANK LIMITED, SIRSI

POLICY ON RESOLUTION FRAMEWORK 2.0 For Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) (excluding advances to Individual and Small Businesses)

(Resolved in the Board Meeting held on May 31, 2021 under Resolution No. 23)

A. PREAMBLE:

In view of the uncertainties created by the resurgence of the covid-19 pandemic in India in the recent weeks, the Reserve Bank of India, vide its circular No. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 05.05.2021 has allowed to extend the facility for restructuring of existing loan facilities of MSME borrowers without downgrade in the asset classification subject to certain terms and conditions specified in it. The reoccurrence of Covid-19 pandemic has put many MSMEs, individuals and small businesses under deep stress. Therefore, in order to alleviate the potential stress, RBI has suggested measures and directed all lending institutions to put in place a Board Approved policy for implementing the resolution measures for Covid-19 related stress.

B. ELIGIBILITY AND CONDITIONS:

The conditions for allowing extension of facility for restructuring of existing loans without downgrade in the asset classification are as under:

1. The borrower should be classified as micro, small or medium enterprises as on March 31, 2021 in terms of Gazette Notification S.O.2119(E) dated June 26, 2020.
2. If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
3. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
4. The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed Rs. 25.00 crores as on March 31, 2021.
5. The borrower's account was a standard asset as on March 31, 2021.
6. The borrowers' account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; DOR.No.BP.BC.19/21.04.048/2018-19 dated January 01, 2019 (collectively referred to as MSME restructuring circulars).
7. The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the lending institutions from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this

facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

8. The restructuring of the borrower account is implemented within 90 days from the date of invocation.
9. Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.
10. All other instructions specified in the circular DOR. No. BP. BC/ 4/ 21.04.048/2020-21 dated August 6, 2020 shall remain applicable

In respect of restructuring plans implemented, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

Working capital support:

In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from Covid-19.

Other (general) terms and conditions:

- a. The borrower should not have diverted working capital funds.
- b. The borrower should have good track record of repayment and satisfactory dealings with the banks, other than overdues which is proposed to be rectified through restructuring.
- c. No account will be taken up for restructuring by the bank unless the financial viability is established and there is reasonable certainty of repayment from the borrower as per the terms of restructuring package.
- d. Cases of wilful default, fraud and malfeasance will not be eligible for the rehabilitation package.
- e. Chartered Accountant (CA) certified or Self certified provisional financials, projections is acceptable from the borrower(s) for all the cases.

Check list of the documents to be furnished (which is illustrative and not exhaustive)

- Last two years balance sheets (wherever applicable as per Statutory requirements / Bank"s instructions) of the units along with income tax/sales tax return etc.
- Projected balance sheets for two years in case of working capital limits and for the period of the loan in case of term loan.
- Sales achieved during the current financial year **up** to the date of submission of application/Provisional Balance sheet as at Previous Quarter End.
- Asset & Liability statement of Proprietor/ Partners/ Directors.
- If funds proposed to be infused by borrower, please specify Sources.
- Detailed Particulars of securities primary/collateral proposed, if any.
- Details of all liabilities of the enterprise, including the liabilities owed to the State or Central Government and unsecured creditors, if any.
- Supporting details for the suggested remedial measures with the estimated time frame by the Enterprise to justify the action plan /solution, etc.

Sd/-

Chief Executive Officer

Sd/-

President

