

Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises

In pursuance of RBI Circular No: RBI/2015-16/338 FIDD.MSME & NFS.BC.No.21/06.02.31/2015-16 dated March17, 2016, the Bank has put in place Policy and procedures for revival and rehabilitation of Micro, Small and Medium Enterprises. The salient features of the Policy are as below:

1.Eligibility:

The provisions made in this framework shall be applicable to MSMEs having loan limits up to Rs.25 crore, including accounts under consortium or multiple banking arrangement (MBA)

2.Identification of incipient stress

2a. Provisions of the Framework are applicable to borrowers who are classified as SMA as defined in RBI guidelines which is as below:

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

2b. Self Identification by the Borrower - Any MSME borrower may (exposure above Rs.10 lakhs) 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 with the following documents:

a) Latest audited accounts of Enterprise including its net worth

b) Details of all liabilities of the enterprise, including the liabilities owed to the State or Central Government and unsecured creditors, if any

c) Nature of stress faced by the Enterprise and

d) suggested remedial actions.

3. Assessment of stressed customer will be done by:

a) Local Branch: Headed by designated officials for exposures below Rs.10 lakhs

b) Committee :Headed by Chairperson , for exposures above Rs.10 lakhs and where exposures are below Rs.10 lakhs concluded for recovery by the local Branch.

Note: 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. Structure of Reviewing Authority

Local Branch: Area Credit Manager and Territory Head of that Area.

Internal Committee: 1. Chair Person, 2. Member and Convener, 3. Independent External Expert, 4. State Govt. Representative/Retired banker. In case of MBA/Consortium –Committee will include Senior representative of all banks/lenders having exposure to the borrower.

In case of accounts under consortium / MBA, lenders should sign an Inter-Creditor Agreement (ICA) on the lines of Joint Lenders' Forum (JLF) Agreement

5. Decision of the Committee

While decisions of the Committee will be by simple majority, the Chairperson shall have the casting vote, in case of tie.

6. Process and Time lines :

Process	Turn Around Time
Committee will notify the customer of identified accounts	5 working days from the date of such identification
Committee will convene meeting for customer initiated request(Pl see Annexure)	Not later than 5 working days from date of receipt of customer application.
Customer to respond with required details to Committee (If the enterprise does not respond within 15 working days , Committee may proceed ex-parte. If	15 working days from date of receipt of notice

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 working days for deciding CAP and preparing the restructuring package)	
committee may send notice to such statutory creditors as disclosed by the enterprise as it may deem fit, informing them about the application under the Framework	15 working days from date of receipt of information from customer
Statutory creditor representation regarding their claims before the Committee	15 working days from date of notice
Committee to decide upon CAP(Corrective Action Plan)	Within 30 working days of first meeting
Committee to notify about CAP to customer	5 working days of deciding CAP
If customer to request for review of CAP	Within 10 working days of receipt of CAP
Committee to review the request with respect to CAP and decide further course of action (This would be the final CAP as only 1 review is permitted)	Within 30 working days of receipt of request from customer
In case CAP is restructuring and the exposure is less than Rs.10 crore , Committee to finalise the terms.	20 working days from date above
In case CAP is restructuring and the exposure is above Rs.10 crore , Committee to undertake Techno Economic Viability and finalise the terms	30 working days from above
Customer will be notified about terms of CAP	5 working days of finalization of CAP
Implementation of CAP/ recovery	Immediately after deciding CAP
Implementation of CAP rectification	30 working days from deciding CAP
Implementation of CAP restructuring	90 working days from deciding CAP

7. Corrective Action Plans

a) Rectification – This would involve obtaining a commitment, specifying actions and timelines, from the borrower to regularize the account. This commitment should be supported with identifiable cash flows within the required time and this should not involve any loss or sacrifice on the part of the existing lenders.

b) Restructuring – If the borrower’s business shows a sign of long term viability by using this tool and thereby facilitating the operations of the Company /Firm .

c) Recovery – If the options (a and b) above are seen not feasible, due recovery process may be resorted to by the lenders.

8. Review

(1) 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.

(2) 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.

(3) A review application shall be decided by the Committee within a period of thirty working 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.



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Annexure

Information to be provided by customer along with covering request letter.

Date: (DD/MM/YYYY)

This has reference to the credit facilities sanctioned by HDFC Bank Limited (hereinafter referred to as the "Bank") vide sanction letter Ref.No..... datedto(Name of the Company/Firm)

Name of customer	
Customer since	
Industry	
Type of activity	
Capacity(if applicable)	

Limits table:

Name of limit	Amount in lacs
Limits 1	
Limits 2	
Total Limits.	

Details of collateral:

Address	Type of collateral	Area(with unit of measurement)	Owners Name	Latest dated of valuation	Value in lacs
Collateral 1					
Collateral 2					
Total					

Financial submissions (last 12m):

Sr no	Month	Sales	Stocks(closing)	Debtors (closing)	Creditors(Closing)
1	Oldest				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12	Latest*				

*Not older than 1 month .

Listing of outstanding debtors as on date

Party name	Amount outstanding (Rs)	Due since (date)	Contact details (Address & phone)

Current accounts being operated with other banks:

Name of bank	Account number	Account since(date)

Stamp and sign of customer.

Financial of last 3 FY(pastxl sheet):

