

**Introduction:**

The Reserve Bank of India vide its notifications DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 has provided a window enabling lenders to one-time restructuring of advances provided to MSME borrowers while classifying such exposures as Standard, subject to specified conditions.

In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, RBI has decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions vide its notification DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021.

**Eligibility Criteria:**

- a. The borrower should be classified as a micro, small or medium enterprise as on 31-Mar-21 in terms of Gazette Notification S.O. 2119 (E) dated 26-Jun-20.
- b. The borrower should be GST registered as on the date of implementation of restructuring. However, this condition is not applicable to the entities exempt from GST registration.
- c. The aggregate lending exposure, including non-fund based facilities, of all lending institutions to the borrowers does not exceed Rs. 50 crore as on 31-Mar-21.
- d. The borrower's account was not restructured in terms of earlier circulars as stated above.

**Time Lines:**

The restructuring of borrower's account has to be invoked before 30-Sep-21. 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 decision on applications received from customer has to be communicated in writing to the applicant within 30 days from the date of receipt of such applications.

Restructuring of the borrower's account has to be implemented within 90 days from the date of invocation.

**Conditions for Implementation:**

A restructuring would be treated as implemented if the following conditions are met:

- a. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and

- b. the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.
- c. Borrower should be registered under Udyam Registration portal before the date of implementation of the restructuring plan for the plan to be treated as implemented.

**Criteria:**

The facility under this policy will be applicable only to the MSME borrowers whose liquidity position was effected due to COVID-19. Eligible customer can submit there application, IKF will access the loan account and decide on the implementation of restructuring plan. The restructuring plan may include deferment of loan servicing, additional funding depending up on the performance of loan and existing conditions of the sector.

**Asset Classification and Provisioning:**

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.

Upon implementation of restructuring plan, provision of 10 percent of the residual debt of the borrower has to kept over and above the IRAC norms or ECL provision whichever is higher.

**Post Implementation Performance:**

After implementation of the resolution plan in terms of this framework, the subsequent asset classification will be governed by the criteria laid out in the Master Circular by RBI on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms") or ECL provision whichever is more.

Performance of the entity shall be monitored on a regular basis as decided during the finalisation of restructuring plan.

**Disclosure and Reporting Requirements:**

IKF will make prescribed disclosure in the annual financial statements under Notes to Accounts relating to MSME accounts restructured under this policy.