**DOMBIVLI NAGARI SAHAKARI BANK LTD**

**MULTI-STATE SCHEDULED BANK**

**CREDIT DEPT. CENTRAL OFFICE**

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**Date: 05.06.2021**

**CENTRAL OFFICE CIRUCULAR NO. : 34**

**CREDIT DEPARTMENT CIRCULAR NO. 16**

To,

All the Staff members,s

**Sub.: - Guidelines of the Bank i.e. Resolution framework No. 2.0 (Restructuring etc.) Resolution of COVID -19 related stress of Micro, Small and Medium Enterprises (MSMEs) Advances**

Ref: i) Reserve Bank of India’s Reference No. RBI/2021-22/32 Circular No. DOR.STR.REC. 12/21.04.048/2021-22 dated 5 May 2021 with respect to Resolution Framework 2.0 – Resolution of COVID -19 related stress of Micro, Small and Medium Enterprises (MSMEs). Copy of circular enclosed herewith.

ii) Please refer to the circular issued by Reserve Bank of India Circular No. DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on Restructuring of Advances of MSME borrowers and consequent circular issued by our Bank Central Office Circular No.: 89, Credit Department Circular No. : 33 dated 09.10.2020.

(II) In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, it has been decided by Reserve Bank of India, vide circular mentioned herein above vide Reference No. i, to **extend the above facility for restructuring of existing loans without a downgrade in the asset classification subject to the following conditions:**

**Eligibility of Borrowers apply for restructuring**

The MSME borrowers who are fulfilling below mentioned criterias will be eligible to apply for resolution framework (restructuring etc.)

1) The measures such as Restructuring of Advances etc. (Resolution Framework No. 2.0) of viable MSME entities shall be contingent i.e. dependent on the C.O./ Branches of the Bank satisfying themselves that the same is necessitated on account of the economic fallout from COVID – 19.

2) The borrower’s account was a ‘standard asset’ as on March 31, 2021.

3) The borrower should be classified as a Micro, Small or Medium Enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020. The copy of the said Gazette Notification is enclosed herewith for your perusal and for reference with a view to enable the Branches to determine the classification of borrower as Micro, Small or Medium Enterprises by Branches.

4) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.

Credit Exposure:

(i) Credit exposure **shall include** –

* Funded and non-funded credit limits and underwriting and similar commitments,
* Facilities extended by way of equipment leasing and hire purchase financing, and
* Ad hoc limits sanctioned to the borrowers to meet the contingencies.

(ii) Credit exposure shall not include loans and advances granted against the security of bank’s own term deposits.

(iii) The sanctioned limit or outstanding whichever is higher shall be reckoned for arriving at credit exposure limit. Further, in case of fully drawn down term loans, where there is no scope of re-drawal of any portion of the sanctioned limit, banks may reckon the outstanding for arriving at credit exposure limit.

(iv) In respect of non-funded limit, 100% of such limit or outstanding, whichever is higher, need to be taken into account for the purpose.

5) The borrower’s account was not restructured in terms of the Reserve Bank of India [circulars HYPERLINK "https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0"DOR.No.BP.BC HYPERLINK "https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0"/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0); [DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11808&Mode=0); or [DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11445&Mode=0) (collectively referred to as MSME restructuring circulars). The copy of the above 3 circulars is enclosed herewith for your perusal and reference with a view to enable the branches to determine whether borrower’s account was restructured as per attached circular of Reserve Bank of India.

(III) **Procedure for restructuring**

If any of the borrowers are satisfying the above 5 conditions then the application for restructuring from such borrowers shall be obtained and following the below mentioned procedure to be followed.

The restructuring of MSME borrowers should be done as per the policy of the Bank. The circular in respect of the same will be issued shortly, upon approving such policy by Board of Directors of our Bank.

(IV) **Invocation of Resolution Plan**

a) The restructuring of the borrower account is to be invoked by September 30, 2021.

b) For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower.

c) The decision on application received by the Bank/ Branches from their eligible MSME customers for invoking restructuring under this facility shall be communicated in writing to the applicant by Branches/ C.O. within 30 days of receipt of such application**,** but not later than September 30, 2021.

d) 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.

(V) **Implementation of Resolution plan**

a) The restructuring of the borrower account is to be implemented within 90 days from the date of invocation.

b) The resolution plan shall be deemed to be implemented only if all the following conditions are met –

i. All related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;

ii. The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,

iii. Borrowers is not in default with the lending institutions as per the revised terms.

c) 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.

As per Notification No. 10/2019- Central Tax dated 07th March 2019 issued by Government of India, Ministry of Finance (Department of Revenue), hereby specifies the following category of persons as the category of persons exempt from obtaining registration under the said Act, namely, -

Any person who is engaged in exclusive supply of goods and whose aggregate turnover in the financial year does not exceed forty lakh rupees except –

i) Person required to take compulsory registration under section 24 of the Central Goods and Service Tax Act, 2017 (12 of 2017) and sub-section (3) of Section 25 and the A) List of exempted Goods under GST with HSN Code B) The list of services exempted under GST.

The copy of the above mentioned Notification and copy of above mentioned sections of the Central Goods and Service Tax, Act 2017; the list of Exempted Goods under GST with HSN Code and List of Services exempted under GST is enclosed herewith for your perusal and reference to determine the entities who are exempt from GST registration.

d) 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.

(VI) **Asset Classification and Provisioning:**

a) In respect of restructuring plans implemented as per Clause I, II, III, IV and V above, 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.

b) Upon implementation of restructuring plan, the bank shall keep provision of 10 percent of the residual debt of the borrower.

**(VI) Working Capital Support for MEME Sector:**

In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars as mentioned as per clause II (5), C.O./ Branches of the Bank 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 our C.O./Branches by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by Bank/Branches 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.

All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 issued by Reserve Bank of India and consequent Bank Policy for Restructuring of Advances for Micro, Small and Medium Enterprises (MSME Sector) vide Central Office Circular No.: 89, Credit Department Circular No.: 33 dated 09.10.2020 shall remain applicable.

**General Manager and CEO**

Enclosures: -

1. RBI circular DOR.STR.REC. 12/21.04.048/2021-22 dated 5 May 2021

2. The Gazette Notification S.O. 2119 (E) dated June 26, 2020.

3. RBI circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020.

4. RBI circular DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020.

5. RBI circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019.

6. Notification No. 10/2019- Central Tax dated 07th March 2019 issued by Government of India, Ministry of Finance (Department of Revenue)

7. Section 24 of the Central Goods and Service Tax Act, 2017 (12 of 2017) and sub-section (3) of Section 25 and the A) List of exempted Goods under GST with HSN Code B) The list of services exempted under GST.