

Policy on Restructuring of MSME Advances

Objective

The objective of this policy is to facilitate meaningful restructuring of MSME - Micro, Small and Medium Enterprises Development accounts (as per PSA policy) that have been temporarily impacted due to macro-economic factors, as a one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification.

Scope and Applicability

This policy is applicable to all branches and all products of VF.

Responsibility

Implementation of various process defined in this policy is the responsibility of the ZRM/ ZCOM/ HO-Collection/HO-Credit and CPU.

Process

1. The restructuring of MSME advances is to support those borrowers who have demonstrated intention to repay but are finding it difficult to repay or being unable to service the installment due to the temporary macro- economic circumstances.
2. The intention and purpose of this policy is to modify existing repayment terms or restructure the account generally by increasing the tenure of the loan or by lowering the EMI.
3. The borrower eligibility and credit criteria is as below –
 - a) The borrower should be registered with GST or exempt from registering under GST.
 - b) The total exposure of the borrower (across banks, NBFCs etc) should not be more than Rs.25 crs.
 - c) The borrower's account should have been less than 90 days overdue as of 1st Jan 2020 and remained that way till date of restructuring.
 - d) Documentation for customer requesting for restructuring should be available apart from the standard documents of loan agreement, hypothecation / security charge creation etc (PDD completed cases)
 - e) Moratorium of upto 90 days can be extended.
 - f) The proposed EMI, post restructuring, can be lower than the current EMI of the existing loan.
 - g) The customer should have been repaying some amounts in the last 12 months including the last 3 months i.e. it should not be that the customer has not paid anything in the last three months.
 - h) The new loan amount i.e. exposure on the asset should not be higher than the asset cost.
 - i) The restructuring shall be towards only the Gross Value (EMI overdue + Principal Outstanding).
 - j) The original IRR should be maintained. All fees, rates and charges shall be applicable as per policy and can be reduced/waived by ZBH as per his decision and discretion.
4. This has to be captured in a separate promo code – 'Restructuring of MSME Advances '.
5. Only the list of accounts circulated from HO collections, as per defined criteria, will be eligible for this MSME restructuring. The list of such customers shall be provided by HO-Collection to the ZRM.
6. ZCOM/ZRM shall ensure to collect the financials, Backpapers, FCI etc. as a normal loan process and send the physical file/mail copy to HO-Credit for evaluation. The same then shall be sent by HO-Credit to ZBH for his recommendation.

7. These reschedulements then shall be recommended by ZBH and sent to HO-Collection who shall send to CFO.
8. These reschedulements then shall be recommended by CFO for approval by ED / MD.
9. CPU Team shall ensure that the promo code is correctly selected and information to Finance is made for provisioning.

Note –

a) MSME-

Loan Type	Usage of Tractor / Vehicle	Land holding details	PSA category	Remarks
Other Vehicle Loan	Used in Transportation Business or Other Own business excluding Salaried, School, trust, society and not for profit organizations.	Investment in equipment -		
		Up to Rs 10 lacs	M1	Micro enterprise
		More than Rs 10 lacs and up to Rs 2 crs	M2	Small enterprise
		More than Rs 2 crs and up to Rs 5 crs	M3	Medium enterprise

b) KYC –

There is no discretionary or deviation approval from the list of documents as per the KYC policy and any deviation cannot be approved at any level including HO.

Hence, any KYC related deviation approval or empowerment is not permitted and cannot be exercised or downloaded by any authority.

Documentation required

- Application form with photo
- KYC documents
- GST Certificate (or exemption certificate)
- Financials showing details of secured loans or declaration by borrower for total secured loans taken across banks/NBFCs.
- Regular loan agreement
- RTO book
- Repayment mode - ACH / ECS / PDC's – as per existing company policy.
- Valid fitness and permit is required in name of prior owner or proposed hirer before assignment.
- Any other requirement as per regular credit process.

Previously restructured accounts

The accounts which have already been restructured in terms of the circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019. shall be ineligible for restructuring under this

Regular monitoring of the restructured accounts.

CPU shall publish a MIS every month for such agreements with all details including portfolio behaviour.
