

Restructuring Policy for COVID-19 affected MSMEs

In view of the continued need to support the viable MSME entities on account of the fallout of Covid19, Reserve Bank of India ("RBI") vide its circular No. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated 06th August 2020 has permitted all the Commercial Banks, NBFCs and other lending institutions to extend the restructuring scheme to the Borrowers belonging to Micro, Small and Medium Enterprises (MSME) sector.

This policy is adopted by the Board with the objective of ensuring compliance with the requirements set out by RBI wherein NBFC's are required to have a Board approved policy on restructuring of MSME advances on account of COVID-19.

The restructuring of existing loans to MSMEs classified as 'standard' shall be governed by this policy. Further, the policy aims to provide relief, as granted by RBI through various notifications and circulars, to assets under stress due to COVID-19.

1. Definition

- a) 'Specified Period' means a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package.
- b) 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

Explanatory note: The terms used in this policy, to the extent not defined herein, shall have the same meaning assigned to them in the RBI Guidelines.

2. Eligibility Criteria

YSBFB shall follow the below conditions for offering restructuring scheme to any of the Borrowers:

- a) The Borrower needs to be an MSME entity as per the definition provided by RBI and Ministry of Micro, Small & Medium Enterprises;
- b) The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the MSME borrower shall not exceed Rs 25 crore (Twenty Five Crore) as on 1st March 2020;
- c) The Borrower's account was a 'standard asset' as on 1st March, 2020;
- d) 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 1st March, 2020;

3. Implementation of the Scheme

The restructuring of the borrower account shall be implemented by 31st March 2021. 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.

4. Asset Classification after Restructuring

The asset classification of loans restructured as per this policy shall continue to be classified as 'standard' without any downgrade in such classification.

5. Provisioning Requirements

- a) YSBFB will maintain additional provision of 5% of the outstanding loan amounts of the restructured accounts, over and above the provision already held by these restructured accounts as per this policy.
- b) YSBFB will, however, have the option of reversing such provisions at the end of the specified period, subject to the loan account, demonstrating satisfactory performance during the specified period.

6. Disclosure in Financial Statements

YSBFB shall make appropriate disclosures in the financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under this policy as per the following format:

No. of accounts restructured	Amount (in Lakhs)

7. Viability Assessment and Monitoring of Restructured Assets

YSBFB shall on regular basis monitor the financial health and viability of the Stressed Assets restructured under this policy. YSBFB for this purpose, will closely monitor the assets restructured through monthly review of the borrowers' financial and operational performance.