



मध्य बिहार ग्रामीण बैंक

(पंजाब नेशनल बैंक द्वारा प्रयोजित)

प्रधान कार्यालय: श्री विष्णु कमर्शियल काम्प्लेक्स

नेशनल हाईवे पेट्रोल पंप के बगल में

एन.एच. 30, आसोचक, पटना - 800016

साख प्रबंधन विभाग

TO ALL OFFICES

Date: 19.04.2017

In Supersession of L & A Circular
No.32/16 dated 07.11.2016

Loan & Advances Circular No.06/17

POLICY FOR REHABILITATION OF SICK MICRO AND SMALL ENTERPRISES

Time and again it is emphasized that timely and adequate assistance to potentially viable MSE units which have already become sick or are likely to become sick is of the utmost importance not only from the point of view of the financing banks but also for the improvement of the national economy, in view of the sector's contribution to the overall industrial production, exports and employment generation. We should, therefore, take a sympathetic attitude and strive for rehabilitation, in respect of units in the MSE sector, particularly wherever the sickness is on account of circumstances beyond the control of the entrepreneurs. However, in cases of units, which are not capable of revival, we should try for a settlement and / or resort to other recovery measures, expeditiously.

2. RBI vide its letter dated 01.11.2012 has revised the definition of sick MSE (Micro & Small Enterprises) units, Hand holding stage, process of declaring a unit sick and sanction / implementation of rehabilitation package. You also might be aware that our bank is member of BANKING CODES AND STANDARDS BOARD OF INDIA (BCSBI) and the guidelines inter-alia advocates the members to have a policy for 'Rehabilitation of Sick Micro and Small Enterprises'. Detailed guidelines conveyed vide RBI letter dated 01.11.2012 are attached at **appendix-I**

(a) Handholding stage of MSEs:

(i) Timely and adequate assistance to MSEs and rehabilitation effort should begin on a proactive basis when early signs of sickness are detected. This stage would be termed as 'handholding stage' as defined below. It will ensure intervention by bank immediately after detecting early symptoms of sickness so that sickness can be arrested at an early stage. An account may be treated to have reached the 'handholding stage'; if any of the following events are triggered:

- There is delay in commencement of commercial production by more than six months for reasons beyond the control of the promoters;
- The company incurs losses for two years or cash loss for one year, beyond the accepted timeframe
- The capacity utilization is less than 50% of the projected level in terms of quantity or the

sales are less than 50% of the projected level in terms of value during a year.

(ii) Branches should take timely remedial action which includes an enquiry into the operations of the unit and proper scrutiny of accounts, providing guidance / counseling services, timely financial assistance as per established need and also helping the unit in sorting out difficulties which are non-financial in nature or requiring assistance from other agencies. In order to ensure timeliness for branches for taking remedial action/measures in 'handholding stage', it is decided that the handholding support to such units should be undertaken within a maximum period of two months of identification of such units.

(b) Revised definition of sickness of Micro & Small Enterprise is as under:-

A Micro or Small Enterprise (as defined in the MSMED Act 2006) may be said to have become Sick, if

- a. Any of the borrowal account of the enterprise remains NPA for three months or more
- OR
- b. 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.

Units becoming sick on account of willful mismanagement, willful default, unauthorized diversion of funds, disputes among partners / promoters, etc. should not be classified as sick units and accordingly should not be eligible for any relief and concessions. In such cases steps should be taken for recovery of bank's dues. The declaration of a borrower as a willful defaulter should be done strictly in accordance with the extant RBI guidelines.

3. Process of identification of sick unit:-

RBI has also advised to implement the above revised definition of sick MSE units with immediate effect and data of sick MSE units from March 2013 onwards is to be submitted based on the revised definition. In view of aforesaid guidelines, following actions are required to be taken at different level i.e. Branch/Regional Office:-

(a) Actions to be taken at branch level

- (i) List of MSE NPA accounts exceeding three months be prepared immediately after the close of every month.
- (ii) Identify the units to be classified as sick on format given in Appendix –II.
- (iii) Writing letters to all such units for submission of proposal (including financials of last three years) for rehabilitation of the unit as per Appendix –III.
- (iv) Conducting of TEV study of the unit. An indicative format as per Appendix –IV may be used for Techno-Economic Viability Study.

A unit should be declared non-viable only if the viability status is evidenced by a viability study. However, it may not be feasible to conduct viability study in very small units and will only increase paperwork. Viability of micro (manufacturing) enterprises, having investment in plant and machinery up to Rs.5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh the Branch Manager may take a decision on viability and record the same, along with the justification. Such cases identified as non-viable are to be placed before the present sanctioning authority for declaring non-viable.

- (v) A letter for declaring the unit non-viable is issued to the promoters requesting him to present their case before the sanctioning authority, in case of any grievances. Draft of letter Appendix –V.

(vi) In all cases (other than those covered in (iv) above) of sick units, declaration of the unit as non-viable as evidenced by viability study should have the approval of present sanctioning authority as per extant procedure and a list of all such cases be sent to next higher authority for information. After declaring a unit as non-viable an opportunity will be given to the promoters to present their case before next higher authority.

Where credit facilities are of Rs.1 Crore and above, decision of declaring MSE sick units as non-viable will be taken by committee headed by a senior official at Head Office with two other members (Functional Head Credit & Functional Head SAMD) from the restructuring cell.

(vii) In case unit is found viable / potentially viable, rehabilitation / restructuring package will be prepared and forwarded to the higher authority for sanction.

(viii) As sanction and implementation of rehabilitation package may take some time, Incumbents are advised to allow holding operation to sick MSE units found viable / potentially viable for rehabilitation package, for a period of maximum six months. MSE units will be allowed to draw funds from the cash credit account at least to the extent of their deposit of sale proceeds during the period of such 'holding operation'.

(ix) It should be ensured that rehabilitation package approved by the competent authority be implemented at the earliest but not later than one months from the date of identification of the unit as viable.

(b) Action to be taken at Regional Office- All Regional Officers are advised to ensure as under:-

- (i) Sick MSE units be identified at their branches immediately after close of every month.
- (ii) Exercise of declaring these units as viable or non-viable be completed within a maximum period of one month by providing suitable assistance to the branches in case of need.
- (iii) A committee be formed at their office for examining and declaring the unit as unviable, where credit facility is Rs.1 Crore and above.
- (iv) In case units are found non-viable by the branches / committee at their office, approval of next higher authority is to be accorded as per the merit of the case. However, before declaring a unit as unviable, an opportunity is to be given to the promoters of the unit to present their case. So it should be ensured that modalities for presenting the case by MSE unit to next higher authority should be in place at Regional Office level /Head Office level.
- (v) Board has advised that process of viability study of sick MSE unit is completed and marked in the system at the earliest but not later than one month of identification of unit as sick and rehabilitation package to viable / potentially viable units should be implemented within a period of one month of declaring the unit viable / potentially viable.
- (vi) However, cases of malfeasance or fraud will be decided without following the above procedure.
- (vii) It should be ensured that decision of declaring the unit as unviable, should be informed to promoters in writing immediately.

4. Preparation of restructuring package and viability criteria

Before preparation of restructuring package under FRR for MSME unit should first be tested for the viability.

PARTICULARS FRR for SMEs	PARTICULARS FRR for SMEs
Minimum Average DSCR	1.25
Maximum period within which the unit should become viable	5 years

Maximum repayment period of all term loans / FITL /WCTL.	10 years
Promoters' sacrifice and additional funds should be brought upfront invariably	Minimum 20% of banks' sacrifice or 2% of the restructured debt, whichever is higher. This stipulation is the minimum; Sanctioning Authority may stipulate higher sacrifice by promoters depending on the riskiness of the project and promoters' ability to bring in higher sacrifice amount.
Other guidelines	However, it should be ensured that irregularity / sickness should not be on account of:- Willful default /doubtful integrity of promoters. Nonplough back of profits / non-bringing capital as per sanction, Diversion (External): withdrawal of capital, investment / expenditure not related to business / using working capital limit for purchase of fixed assets like land & building / bad track record of promoters in debt payment.

All other provisions like relief, concessions, sanctioning authority etc will be as per our aforesaid circular on FRR for MSME.

5. Reliefs/Sacrifice available for potentially viable MSE units

Competent authority can consider the following Reliefs/Sacrifice to potentially viable MSE units by way of restructuring:-

Extension of Moratorium period/Extension in repayment period (Rescheduling installments in existing term loans). Funding of irregularity by way of FITL & WCTL. Sanction of additional limits for working capital / and term loan. Reduction in rate of interest on existing working capital limits and term loan. Reduction in rate of interest on WCTL/FITL. Reduction in margin on existing facilities.

To allow 'holding operation' for a period of six months. This will allow MSE units to draw funds from the cash credit account at least to the extent of their deposit of sales proceeds during the period of such holding operation.

Note:- The bank shall have the right to recompense i.e. recovery of the sacrifice made by it after the unit becomes profitable and all the term loans outstanding at the time of restructuring and sanctioned as a part of restructuring package have been repaid.

6. Loaning Powers for Restructuring of MSEs:

The powers for sanctioning of restructuring proposals of MSEs will be the same as provided in FRR for MSMEs which are detailed as under:-

- a. No loaning powers under FRR for MSEs shall be utilized at the level of branch.
- b. The powers for restructuring including additional finance, if any, shall be utilized by CAC at Regional Office and above as per the aggregate commitment per borrower permitted by the extant loaning power chart.
- c. Restructuring of debt in any account within one year of its sanction shall be approved by

next higher authority. However, restructuring of any account within one year of its enhancement may be permitted by competent authority.

- d. The powers for extending the relief shall be same as applicable to FRR for MSMEs.
- e. Incumbents of Scale IV are now empowered to reschedule repayment of viable MSME units in Standard category and when the account is being restructured for the 1st time except the following cases:-

(i) Incumbents cannot reschedule own sanctions which will be considered by next higher authority.

(ii) Rescheduling of debt in any account within one year of first sanction or sanction of term loan shall be approved by next higher authority.

Incumbents of Scale IV can sanction extension of repayment period of existing TL, maximum up to 7 years starting from the date of rescheduling, which shall also include extension of moratorium period. The above extension shall, however be subject to the condition that overall repayment period of the account including this extension is not going beyond 10 years from the date of original sanction.

This account shall be reported by the branch to Regional Office as restructured account (for provision and DFV purposes) on quarterly basis.

However extension in moratorium / and repayment period may be allowed by the sanctioning authority (Incumbents In charges Scale III on wards) The maximum extension in moratorium period & repayment period allowable in such case will 3 months and 12 months respectively with maximum repayment period (inclusive of moratorium period) up to 10 years.

7. Sick MSE units covered by guarantee of CGTMSE:-

In Case of Sick MSE units covered under CGTMSE, branches were advised to hold the rehabilitation process in MSE sick units in NPA category and covered by guarantee of CGTMSE till fresh guidelines from CGTMSE are received for extending guarantee in such accounts.

The issue has since been discussed by the Board of CGTMSE, and it has been decided to exclude the time period from the identification of the MSE unit as sick through rehabilitation process and till the unit is subsequently found non-viable for invocation of guarantee and the assumed NPA date for claim purposes would now be taken as the date when the unit is subsequently found non-viable; all other guidelines remaining unchanged. The assumed NPA date may be marked in the CGTMSE Software System by the MLI-SCB and while lodging the claim, the Declaration-Cum-Undertaking must clearly indicate that the proposal was covered under the "RBI Rehabilitation Guidelines for Sick Micro and Small Enterprises" dated November 01, 2012 and indicate the actual NPA date.

Accordingly, in view of the revised guidelines of CGTMSE, competent authority may permit restructuring/rehabilitation package to sick viable/potentially viable MSE units as per the extant guidelines of the Bank.

8. Time frame for sanctioning and implementation of restructuring package:

Following time frame has been fixed for sanctioning and implementation of restructuring package of potentially viable MSEs:

Restructuring package should be sanctioned within a maximum period of four weeks, from the date of receipt of application in case of all potentially viable cases. Restructuring package should be implemented within a maximum period of four weeks, including creation of security wherever required and compliance of term & conditions and documentation etc.

9. Staff Accountability for restructuring:

Normally the mere act of restructuring will not attract Staff Accountability. However, staff accountability shall be there for any procedural lapses of documentation, execution and post follow-up of restructuring package and case of clear cut violations of extant guidelines pertaining to restructuring.

10. MIS

(a) To get the above reports generated through the system, branches are advised that correct account status is to be assigned in CBS through menu option ACM -account health code on page No. 2 of 'S'-Scheme details.

Following codes for different status of sick accounts are to be assigned in CBS:-

1. Status of Health code on identification of MSEs sick unit is to be marked in CBS as "SICKU".
2. Status of non-viable units is to be changed in CBS as "SICNV".
3. Status of viable units is to be changed in CBS as "SICVB".
4. Status of viable units put under nursing is to be changed in CBS as "SICUN".
5. Status of viable units put under Rehabilitation is to be changed in CBS as "SICUR".

(For monitoring adherence to stipulated time schedule for declaring the viability of unit or implementation of rehabilitation package, reports also include no. of days, when the last status of the unit was changed in the system)

11. Creation of MSE Restructuring Cell at Regional Office /Head Office:-

RBI vide its letter No. RBI/ 2012-13 /495 dated 09.05.2013 has advised to adhere "Structured Mechanism for monitoring of credit growth to MSE sector." RBI in the aforesaid letter, inter-alia, stressed the need for timely detection of sickness of any enterprise, as any delay may impinge on revival prospect of sick but potentially viable units. In order to speed up work, as per directions of RBI, It has been decided to create MSE Restructuring Cell at Regional Office/Head Office.

11.1 Detail of work to be allocated to MSE Rehabilitation Cell

- (i) Monitoring of Identification of sick MSE units / incipient sickness as per the revised definition.
- (ii) Monitoring of marking of these units as sick in CBS.
- (iii) Monitoring of conducting of viability study of units identified as sick and follow up action for rehabilitation of viable / potentially viable sick MSE units and implementation thereof within the time limit prescribed by RBI.
- (iv) Constituting a committee to consider the viability position of sick MSE accounts with balance of Rs. 1Crore & above.

- (v) Entrusting work of declaring a unit unviable as recommended by branches / above committee after giving an opportunity to promoters of the unit by next higher authority.
- (vi) Decision of the above higher authority is to be informed to the promoters in writing.
- (vii) Submission of data pertaining to Rehabilitation of MSME sick units desired by various authorities.
- (viii) To address grievances of promoters.

(Harsh Chopra)
General Manager

INDEX - REHABILITATION OF SICK MSE AND DEBT RESTRUCTURING
MECHANISAM FOR MSME

RESERVE BANK OF INDIA

www.rbi.org.in Rural Planning & Credit Department Central Office, 10th Floor, Central Office
Building, Post Box no. 10014 Mumbai - 400 001

RBI/2012-13/273/RPCD. CO. MSME & NFS.BC.40/06.02.31/2012-2013 November 1, 2012

The Chairman/Managing Director/ Chief Executive Officer
All Scheduled Commercial Banks (*excluding Regional Rural Banks*)

Dear Sir / Madam

Guidelines for Rehabilitation of Sick Micro and Small Enterprises

The recent global slowdown has adversely impacted the Indian economy in general and more specifically the Micro and Small Enterprises (MSEs). The MSEs suffer the most in such situations especially from discontinuity of business, which they normally are not in a position to bear and become sick immediately. The feedback received by us at various fora on MSEs and our analysis shows that the identification of sickness in MSE enterprises is so late that the possibilities of revival recede. This necessitates a need for change in the definition of sickness in order to remove the delay factor.

2. In recognition of the problems being faced by the Micro and Small Enterprises (MSE) particularly with respect to rehabilitation of potentially viable sick units, the Reserve Bank had constituted a Working Group under the Chairmanship of Dr. K. C. Chakrabarty, then Chairman & Managing Director, Punjab National Bank. The Working Group, among others, recommended a change in the definition of sickness and a procedure for assessing the viability of sick MSE units, with a view to hasten the process of identification of a MSE unit as sick. The proposal to revise the existing definition of sickness and procedure for assessing the viability of sick MSE

units was placed in the 13th Standing Advisory Committee on MSMEs wherein it was decided that the Ministry of MSME, Government of India would constitute a Committee to examine the proposal. Consequently, a Committee was set up by the Ministry of MSME and following the submission of the report of the Committee it was proposed in Paragraph 83 of the Second Quarter Monetary Policy Statement 2012-13, to modify the existing definition of sickness of micro and small enterprises (as defined in the MSMED Act 2006) and lay down a procedure for assessing the viability of sick units in the sector in supersession of guidelines mentioned in our circular RPCD. No. PLNFS.BC.57/06.04.01/2001-2002 dated January 16, 2002.

3. The emphasis of the revised guidelines is to hasten the process of identification of a unit as sick, early detection of incipient sickness, and to lay down a procedure to be adopted by banks before declaring a unit as unviable. Accordingly, the revised guidelines are issued for rehabilitation of sick units in the MSE sector as given in ***Annex - I***.

4. The important changes brought out in guidelines based on the recommendations of the Working Group vis-à-vis the existing guidelines on rehabilitation of sick MSE units are furnished

in *Annex - II* for ready reference.

5. We need hardly emphasize that timely and adequate assistance to potentially viable MSE units which have already become sick or are likely to become sick is of the utmost importance not only from the point of view of the financing banks but also for the improvement of the national economy, in view of the sector's contribution to the overall industrial production, exports and employment generation. The banks should, therefore, take a sympathetic attitude and strive for rehabilitation, in respect of units in the MSE sector, particularly wherever the sickness is on account of circumstances beyond the control of the entrepreneurs. However, in cases of units, which are not capable of revival, banks should try for a settlement and / or resort to other recovery measures, expeditiously.

6. Please acknowledge receipt.

Yours faithfully,
(C D Srinivasan)

Chief General Manager Guidelines for Rehabilitation of Sick Micro & Small Enterprises

GENERAL GUIDELINES FOR REHABILITATION OF SICK MSEs

A. Handholding stage

1. Timely and adequate assistance to MSEs and rehabilitation effort should begin on a proactive basis when early signs of sickness are detected. This stage would be termed as 'handholding stage' as defined below. This will ensure intervention by banks immediately after detecting early symptoms of sickness so that sickness can be arrested at an early stage. An account may be treated to have reached the 'handholding stage'; if any of the following events are triggered:

a. There is delay in commencement of commercial production by more than six months for reasons beyond the control of the promoters;

b. The company incurs losses for two years or cash loss for one year, beyond the accepted timeframe;

c. The capacity utilization is less than 50% of the projected level in terms of quantity or the sales are less than 50% of the projected level in terms of value during a year.

2. The bank branches should take timely remedial action which includes an enquiry into the operations of the unit and proper scrutiny of accounts, providing guidance/counselling services, timely financial assistance as per established need and also helping the unit in sorting out difficulties which are non-financial in nature or requiring assistance from other agencies. In order to ensure timeliness for banks for taking remedial action/measures in 'handholding stage', the handholding support to such units should be undertaken within a maximum period of two months of identification of such units.

B. Definition of Sickness

3. A Micro or Small Enterprise (as defined in the MSMED Act 2006) may be said to have become Sick, if

a. Any of the borrowal account of the enterprise remains NPA for three months or more

OR

b. 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. Guidelines for Rehabilitation of Sick Micro & Small Enterprises

4. This would enable banks to take timely action in identification of sick units for their revival. The MSE units which could not be revived after intervention by banks at the 'handholding stage' need to be classified as sick subject to complying with any one of the two conditions as laid

down above and based on a viability study the viable/potentially viable units be provided rehabilitation package. The rehabilitation package should be implemented speedily in a time bound manner. The rehabilitation package should be fully implemented within six months from the date the unit is declared as 'potentially viable' / 'viable'. While identifying and implementing the rehabilitation package, banks are advised to do 'holding operation' for a period of six months. This will allow small-scale units to draw funds from the cash credit account at least to the extent of their deposit of sale proceeds during the period of such 'holding operation'.

5. Units becoming sick on account of willful mismanagement, willful default, unauthorized diversion of funds, disputes among partners / promoters, etc. should not be classified as sick units and accordingly should not be eligible for any relief and concessions. In such cases steps should be taken for recovery of bank's dues. The declaration of a borrower as a willful defaulter should be done strictly in accordance with the extant RBI guidelines.

6. The above definition may be adopted for the purpose of reporting the data for the year ending 31 March 2013, while for the purpose of formulating nursing programme; banks should go by the above definition with immediate effect.

C. Viability

7. The decision on viability of the unit should be taken at the earliest but not later than 3 months of becoming sick under any circumstances. The following procedure should be adopted by the banks before declaring any unit as unviable:

a. A unit should be declared unviable only if the viability status is evidenced by a viability study. However, it may not be feasible to conduct viability study in very small units and will only increase paperwork. As such for micro (manufacturing) enterprises, having investment in plant and machinery up to Rs.5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh, the Branch Manager may take a decision on viability and record the same, along with the justification. Guidelines for Rehabilitation of Sick Micro & Small Enterprises.

b. The declaration of the unit as unviable, as evidenced by the viability study, should have the approval of the next higher authority/ present sanctioning authority for both micro and small units. In case such a unit is declared unviable, an opportunity should be given to the unit to present the case before the next higher authority. The modalities for presenting the case to the next higher authority may be worked out by the banks in terms of their Board approved policies in this regard.

c. The next higher authority should take such decision only after giving an opportunity to the promoters of the unit to present their case.

d. For sick units declared unviable, with credit facilities of Rs.1 crore and above, a Committee approach may be adopted. A Committee comprising of senior official of the bank may examine such proposals. A Committee approach will improve the quality of decision as collective wisdom of the members shall be utilized, especially while taking decision on rehabilitation proposals.

e. Decision of the above higher authority should be informed to the promoters in writing. The above process should be completed in a time bound manner not later than 3 months.

8. The banks may, however, take decision in cases of malfeasance or fraud without following the

above procedure.

D. Reliefs and Concessions for Rehabilitation of Potentially Viable Units

9. Banks may decide on the reliefs and concessions for rehabilitation of viable/potentially viable units based on their own Board approved policies as conveyed in our circular RPCD.SME & NFS.BC.No.19/06.02.31/2011-12 dated September 12, 2011.

E. One Time Settlement

10. The banks are to put in place a Non-discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, duly approved by the Board of Directors as conveyed in circular No.RPCD.SME&NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009. It is also reiterated that the One Time Settlement scheme implemented by the bank is given wide publicity by placing it on their bank's website and through other possible modes of dissemination. You may also allow reasonable time to the MSE borrowers to submit the application and make payment of the dues in order to extend benefits of the scheme to the eligible borrowers.

F. Delegation of Powers

11. The delay in the implementation of agreed rehabilitation packages should be reduced. One of the factors contributing to such delay was found to be the time taken for obtaining clearance from the Controlling Office for the relief and concessions. As it is essential to accelerate the process of clearance, the banks may delegate sufficient powers to senior officers at various levels such as district, divisional, regional, zonal and also at head office to sanction the rehabilitation package drawn up in conformity with the prescribed guidelines. Guidelines for Rehabilitation of Sick Micro & Small Enterprises

Annex- II

Important changes brought out in the revised guidelines based on the recommendations of the Working Group on Rehabilitation of sick MSE units vis-à-vis Existing Guidelines

	Existing Guidelines	New Guidelines
1	<p>A MSE unit is considered sick when:</p> <p>a) If any of the borrowal accounts of the unit remains substandard for more than six months i.e. principal or interest, in respect of any of its borrowal accounts has remained overdue for a period exceeding 1 year. The requirement of overdue period exceeding one year will remain unchanged even if the present period for classification of an account as sub-standard is reduced in due course;</p>	<p>A MSE is considered 'sick' when –</p> <p>a) any of the borrowal account of the enterprise remains NPA for three months or more</p> <p style="text-align: center;">OR</p> <p>b) There is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth. The stipulation that the unit should have been in commercial production for at least two years has been removed.</p>

	<p style="text-align: center;">OR</p> <p>b) There is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent of its net worth during the previous accounting year; and</p> <p style="text-align: center;">AND</p> <p>c) The unit has been in commercial production for at least 2 years.</p>	
2	No stipulated time frame for deciding the viability of a unit.	The decision on viability of the unit should be taken at the earliest but not later than 3 months of becoming sick under any circumstances. *
3	The procedure for declaring a unit as unviable not specified.	The procedure for declaring a unit as unviable has been laid down
4	While the concept of incipient sickness was there was no definition of incipient sickness	Incipient sickness or 'handholding stage Defined

* Our Board has, however, advised that rehabilitation package to viable / potentially viable units should be implemented within a period of one month of declaring the unit viable / potentially viable.

Appendix-II

Format for Identification of Sick MSE Unit

BO: Name of the Account							
Activity							
Whether Micro/Small Enterprises							
Facility Sanctioned							
Date of Sanction							
Sanctioning Authority							
Amount Outstanding							
Date of NPA							
Detail	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
Sales							
Net Worth							
Loss							
Accumulated Loss							

3. Reason for Sickness:-

- a. Any of the borrowal account of the enterprise remains NPA for three months or more.

Or

- b. 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.

4. It is confirmed that accounts have not become NPA on account of the following:-

(a) Willful mismanagement, (b) willful default, (c) unauthorized diversion of funds, (d) disputes among partners / promoters, etc.

(The declaration of a borrower as a willful defaulter should be done strictly in accordance with the extant RBI guidelines)

Officer/Manager

Incumbent Incharge

**Madhya Bihar Gramin Bank
BO:**

Ref:

Date:-

Dear Sir,

**Reg: Your Credit facilities with us
Account No. _____**

In order to address the circumstances which may be beyond your control, it has been decided that a proposal for rehabilitation of your unit be called for. If you are willing for rehabilitation of your account, please submit complete proposal along with financials, maximum within a months' time. In case, we do not receive the proposal within the stipulated time, the unit will be treated as non-viable with the reason that promoters are not interested for the rehabilitation of the account. In that case, we shall be constraint to initiate legal action for the recovery of Bank's dues.

Branch Manager

Appendix-IV

TECHNO-ECONOMIC VIABILITY STUDY FORMAT FOR RESTRUCTURING OF SICK UNITS

<p>1) Introduction / Background / Brief About the Borrower</p>	
<p>2) Details of Promoters / Directors Brief details about promoter background, experience, qualification, managerial capabilities</p>	
<p>3) Detail of Key Technical Persons Education, experience/expertise, job responsibility</p>	
<p>4) Industry Scenario/Present rating of the industry</p>	
<p>5) Past Financial Performance of the Company Comments on key financial actual figures (Sales, Operating Profit, PBT, TNW, NWC, Current Ratio, DE Ratio) of at least last three financial years</p>	
<p>6) Technical Aspects</p>	
<p>i) Land and Site development Comments on site selection, land availability and adequacy and its development.</p>	
<p>ii) Building and other Civil Construction Comments of existing and proposed building and other civil work,</p>	
<p>iii) Manufacturing Process / Technology</p>	
<p>iv) Plant & Machinery & Misc. Fixed Assets</p>	
<p>v) Raw material and its availability</p>	

vi) Product Product being/to be manufactured, its uses, its market, alternate available product etc vii) Installed Capacity and its capacity Utilization									
Calculation & comments on installed capacity of the company									
7) Marketing Aspects Marketing arrangements made by the company, scope & availability of market, tie up arrangement (if any), alternate arrangement etc.									
8) Other Utilities – a. Water b. Power c. Transportation d. Manpower (skilled/unskilled/contract labor) e. Other (if any, depends on nature of industry)									
9) Position of account a) Term loans b) Working Capital c) Others TOTAL	<table border="1"> <thead> <tr> <th><u>Limit</u></th> <th><u>DP</u></th> <th><u>O/S</u></th> <th><u>Irregularity</u></th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Remark</u></td> </tr> </tbody> </table>	<u>Limit</u>	<u>DP</u>	<u>O/S</u>	<u>Irregularity</u>	<u>Remark</u>			
<u>Limit</u>	<u>DP</u>	<u>O/S</u>	<u>Irregularity</u>						
<u>Remark</u>									
10. Reason of sickness and plan adopted by company for future viability of project									
11. Statutory dues outstanding i) ii)									
12. Present Physical and Financial Status of the Project									

<p>13. Restructuring proposal in brief</p> <p>a) Justification for restructuring</p> <p>b) Cut-off date</p> <p>c) Terms of restructuring for:</p> <p>(i) Term loan</p> <p>(ii) WC</p> <p>(iii) FITL/WCTL/Others</p> <p>(iv) Original Repayment Schedule of existing Term loan</p> <p>(v) Proposed Repayment Schedule of existing Term loan.</p> <p>d) Whether proposal involves additional finance. If yes, specify rationale of assistance sought.</p>	<p>Original</p> <p>Revised</p>
<p>14. <u>Cost of Restructuring scheme</u></p> <p>a) Capital expenditure</p> <p>b) Pressing creditors</p> <p>c) Upfront payment (FIs/banks)</p> <p>d) Addnl. M. M. for W.C.</p> <p>e) Others (please specify)</p> <p style="text-align: center;">TOTAL</p>	
<p>15. <u>Means of finance</u></p> <p>a) Promoters contribution</p> <p>- Capital</p> <p>- Unsecured loan</p> <p>b) Fresh term loans</p> <p>c) Fresh W.C. borrowing</p> <p>d) Internal accruals</p> <p>e) Others (please specify)</p> <p>Total</p>	
<p>16. <u>Assumptions for financial appraisal</u></p> <p>Working hours/Days:</p> <p>Rate of Power:-</p> <p>Total power load required:-</p> <p>Raw material price/Finished Goods price:-</p> <p>ROI for TL/CC/WCTL/FITL/Others:-</p>	

<p>Tax Rate:- Depreciation rate:- Other relevant assumptions etc:-</p>	
<p>17) Project Financials Profitability, calculation & acceptability of sales, fund flow statement, Balance sheet analysis (DER, TOL/TNW, Current Ratio, TNW)</p>	
<p>18) Ratios Calculation (DSCR, BEP) and sensitivity analysis</p>	<p><u>Original</u> <u>Revised</u></p>
<p>19) Proposed implementation schedule</p>	
<p>20) Statutory approvals & clearance along with their present status</p>	
<p>21) SWOT Analysis</p>	
<p>22) Overall Conclusion on Technical feasibility & Economical viability of the project.</p>	

SIGNATURE OF OFFICER/OFFICER (INDUSTRY

**Madhya Bihar Gramin Bank
BO:**

Date:-

Dear Sir,

**Reg: Your Credit facilities with us
Account No._____**

Please refer to our letter dated _____ vide which we had requested you to submit your proposal for rehabilitation of the unit.

As your proposal for rehabilitation has not been received, your unit has been treated as non-viable with the reason that promoters are not interested for rehabilitation of the unit.

Or

On examination of the proposal submitted by you, we found your unit is non-viable on account of following reasons:-

In case of any grievances, you may contact Sh. _____ at following address for your representation if, any:-

Address of Sanctioning Authority / Regional Office:-
Phone No._____

Branch Manager

Madhya Bihar Gramin Bank
BO:

The Regional Head,
Regional Office

Reg:- Detailed List of MSE SICK Units ELIGIBLE FOR VIABILITY STUDY
FOR THE Quarter Ended _____

ALL UNITS DECLARED SICK AS PER RBI DEFINITION WITH INVESTMENT IN
P&M ABOVE RS 5 LAC FOR MFG UNIT AND RS 2 LAC FOR SERVICE UNIT

Sl No	Name Of The Unit	Limits	O/S at the end of previous Qr.	Date of unit being Declared as SICK	Date of Viability Study	Whether found Viable or Not	Name of the official/ Committee
		TL					
		FB					
		NFB					
A.	SICK UNITS OF WHICH VIABILITY STUDY WAS NOT DONE AT THE END OF PREVIOUS QUARTER						
B.	UNITS BECAME SICK DURING THE QUARTER					No. of accounts	