

MSME POLICY 2022-23 (Cir 768/2022)

Definition of Micro, Small and Medium Enterprises:

Classification of MSME enterprise	Investment in plant and machinery or equipment	Turnover
Micro	upto Rs. 1 Crore	≤ Rs. 5 Crore
Small	>Rs. 1 Crore upto Rs. 10 Crore	≤ Rs. 50 Crore
Medium	> Rs. 10 Crore upto Rs. 50 Crore	≤ Rs. 250 Crore

- If an enterprise **crosses the ceiling limits** specified for its present category in **either** of the two criteria of **investment** or **turnover**, it will cease to exist in that category and be placed in the next higher category.
- It will avail all **NON TAX BENEFITS** of existing category **for 3 years** from the date of upgradation.
- In case of **Down Gradation**, it will continue till **end of that financial year** only. Lower Grade benefits from **01st April of succeeding FY**.
- No enterprise shall be placed in the **lower category** unless it goes below the ceiling limits specified for its present category in **both the criteria** of investment as well as turnover.

Value of Plant and Machinery or Equipment for all purposes shall mean the **Written Down Value (WDV)** as at the end of the **Financial Year** as defined in the Income Tax Act and not cost of acquisition or original price

For Turnover Criteria, **Export of Goods/Services are excluded.**

- ❖ Domestic Commercial Banks are required to achieve a **sub-target of 7.5 percent** of ANBC/ CEOBE for lending to Micro Enterprises on quarterly basis
- ❖ All loans to units in the **KVI sector** will be eligible for classification under the **sub-target of 7.5 percent** prescribed for Micro Enterprises under priority sector

Loans upto **Rs.50 crores to Start Ups** as per definition of **MSME** – classified under **Priority Sector**

In terms of the recommendations of the Prime Minister's Task Force on MSMEs

- Achieve a **20% year-on-year growth** in credit to Micro and Small Enterprises
- Achieve **10% annual growth** in the **number of Micro Enterprise accounts**
- **60% of the total advances** to Micro and Small Enterprises sector as on preceding March 31st should go to **Micro Enterprises**

Bank is mandated **not to accept collateral security** in the case of loans **upto Rs. 10 lakhs** extended to MSE sector , PMEGP Scheme.

- ❖ RBI advised to open atleast **one specialised branch in each district**
- ❖ Bank has been permitted to categorise their general banking branches having **60% or more of their advances to MSME** sector as a **whole**

MSME Wing: Units:

- ❖ SME Business Unit
- ❖ SME Credit Group (Credit Appraisals)
- ❖ SME Monitoring and Rehabilitation Centre
- ❖ CGTMSE Vertical in Manipal
- ❖ MSME Sulabh Monitoring Cell
- ❖ Government Sponsored Schemes (MSME) monitoring and Credit Guarantee Cell; GM's Secretariat.

MSME Sulabhs :

- Presently 156 across the country.
- Shall handle all fresh and enhancement **MSME loan proposals** (except VSL, GL) **beyond Rs.25 lakhs** or Branch powers (Small, Medium, Large, VLBS) whichever is less.
- All branches in Region (except LCB, MCBs) mapped to MSME Sulabhs.
- MSME Sulabhs to Conduct **due diligence, process, appraise**, sanction the MSME proposals coming under its purview along with all relevant pre and post-sanction activities and issue Sanction Memorandum to applicants (beneficiaries) under copy to concerned branch.
- In case of **City Branches** all MSME loan functions will be done by MSME Sulabh.
- Non City Branches : Branches will do.

Bank has identified **230 SME specialized branches**, in addition to MSME Sulabhs

COMMON GUIDELINES FOR LENDING TO MSME SECTOR:

- Common Application form for MSME credit facilities i.e. **NF998** is available on the intranet for ready use by the Branches
- **Online application** also in our Website.
- ❖ Applications for credit facilities from **SC / ST customers** shall not be rejected at branch level and such rejections shall be by the **next higher authority**
- ❖ Whenever applications for loans under **govt. sponsored schemes** are rejected by the Branch Manager for valid reasons, the same has to be **recorded** in a register maintained to this effect which shall be examined by the controlling authorities during branch visits
- ❖ Rejection of credit proposals from **MSME** is subject to **concurrence of the next higher authority**
- ❖ Rejection of **export credit** proposals shall be immediately **reported to MD & CEO** through the concerned Wing at HO.
- ❖ Rejections to be **recorded in NB139 online**, to be **reviewed** by Controlling authorities during branch visits.

Time Norms for disposal of Applications:

- Loan applications received by branches to **verify with in 7 days** and intimate applicant any **additional information/documents** required.
- If not received **with in 7 days, reject application.**

MSE Loans upto Rs.25,000/- & Above Rs.25,000/- to Rs.5.00 lakhs : **15 days** (Br/RO,CO,HO)
Beyond Rs.5 lakhs upto Rs.25 lakhs : **30 days** (Branch, RO/CO, HO)
Beyond Rs.25.00 lakhs : **30 days** (Branch) : **45 days** (RO,CO/HO)

Medium Enterprises:

Upto Rs.25,000/- : **15 days** (Branch, RO/CO, HO)
Above Rs.25,000/- to Rs.5.00 lakhs : **15 days** (Branch) **30 days** (RO/CO,HO)
Rs.5 to 25 lakhs & Above Rs.25 Lakhs : **30 days** (Branch) **45 days** (RO/CO, HO)

Exports – General : Sanction fresh/enhancement: **30 days** (Branch) :
: **45 days** (RO/CO, HO)

Renewal : **30 days** & Adhoc: **15 days** (BR,RO,CO,HO)

Gold Card Exporters: Sanction (fresh/enhancement) : **25 days**;
Renewal: **15 days**; Adhoc: **7 days** (BR/RO/CO/HO)

Collateral Security :

- ❖ Loan upto **Rs.10 lakhs**: Mandatorily **No Collateral Security**
- ❖ Upto **Rs.25 lakhs**: Basing on Good Track Record and good financials: **No Collateral Security** (Coverage of CGTMSE/CGFMU/NCGTC/CGSSI available for MSME Loans)
- ❖ **Waiver of CGTMSE cover** for Loans **above Rs.10 lakhs** upto **Rs.2.00 crores**: Primary/Collateral Security of **75% of loan amount**, apart from assets created out of finance.

Delayed Payment (as per MSMED act 2006) : Any corporate delays payments for supplies of material by MSEs **beyond agreed date/beyond 45 days** : Penal interest **3 times bank rate** compounded monthly payable to MSEs.

Enabling Mechanism: While sanctioning/renewing credit limits to their large corporate borrowers (i.e. borrowers enjoying working capital limits of **10 crore** and above from the banking system), Bank to fix **separate sub-limits**, within the overall limits, specifically for meeting payment obligations in respect of purchases from MSMEs either on cash basis or on bill basis.

CREDIT GUARANTEE SCHEMES:

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):

Coverage: Credit Facilities FB+NFB upto **Rs.200 lakhs** to MSEs including **Retail & Wholesale Trade**, Educational/Training institutions. **Without any collateral security/guarantee**

Hybrid Security: Obtain collateral security for a part of credit facility & unsecured portion upto Rs.200 lakhs covered under CGTMSE.

CGTMSE will have **notional II charge** on collateral security. **No stipulation of maximum loan amount under Hybrid Security.**

Applying for guarantee cover : Anytime during the tenure of Loan provided the credit facility was not restructured / remained in SMA2 status in **last 1 year** from the date of submission of application. **Standard Asset. Activity is running.**

Extent of the Guarantee Coverage

Category	Maximum extent of Guarantee where credit facility is		
	Up to ₹ 5 lakh	Above ₹ 5 lakh & up to ₹ 50 lakh	Above ₹ 50 lakh up to ₹ 200 lakh
Micro Enterprises	85% of the amount in default subject to a maximum of ₹ 4.25 lakh	75% of the amount in default subject to a maximum of ₹ 37.50 lakh	75% of the amount in default subject to a maximum of ₹ 150 lakh
Women entrepreneurs/ Units North East Region (incl. Sikkim)	80% of the amount in default subject to a maximum of ₹ 40 lakh		
MSE Retail Trade & All other eligible category of borrowers	75% of the amount in default subject to a maximum of ₹ 150 lakh.		

Additional risk premium of 15% will be charged on the applicable rate to MLIs who exceed the **payout threshold limit of 2 times more than thrice in last 5 years**. This premium will be applicable for all guarantee accounts irrespective of the sanction date

Revised Coverage wef 01.12.2022:

Category	Upto Rs.5 lakhs	>5 lakhs to 50 L	>50 L to 200 L
Micro Enterprises	85%	75%	
MSEs in NE Region+Sikkim	80%	75%	
Women Entrepreneurs	85%		
MSEs in Aspirational Dist.s	85%		
ZED certified MSEs	85%		
SC/ST Entrepreneurs	85%		
All Other Categories	75%		

Guarantee Cover:

- Term Loan : Full Tenure of Loan.
- WC : 5 years block. Max.10 years.

Annual Guarantee Fee:

Upto Rs.5.00 lakhs: 1.00% p.a.+ Risk Premium

Above Rs.5 lakhs uptoRs.50 lakhs: 1.35%+RP (women/NE Region) 1.5%+RP: others

Above Rs.50 lakhs upto Rs.200 lakhs: 1.80%+RP as decided by Trust.

Revised AGF wer 01.12.2022: Standard Rate: % per annum

- Upto Rs.10 lakhs :**0.75**
- 10 to 50 lakhs :**1.10**
- 50 to 200 lakhs :**1.20**

- ❖ Depending on the degree of risk analyzed by CGTMSE (annually) through external agencies/internal assessment, MLI with better portfolio would be given the **discount of 10% on standard rate**
- ❖ Whereas MLIs with **high risk** associated would be charged **maximum risk premium up to 70% of Standard Rate.**

Additional discount in Standard Rate

- **Woman** Entrepreneurs, **SC/ST** borrowers would be given **10% discount** on Standard Rate of fees.
- Units in **North Eastern Region** including **Sikkim**, upto **Rs.50 lakhs** would be given **10% discount** on Standard Rate of fees.
- MSEs situated in **aspirational districts** would be given **10% discount** on Standard Rate of fees.
- **ZED certified MSEs** would be given **10% discount** on Standard Rate of fees.
- An MSE falling in all the above three categories will be eligible **for maximum discount of 30%** on Standard rate of fees.
 - ❖ AGF will be charged on **outstanding liability as on 31st Dec** in case of **TLs**
 - ❖ On **peak working capital limit availed** by borrower during previous calendar year in case of **Working Capital** limits.
 - ❖ In case of Hybrid Security Model, on the proportionate outstanding amount.

NPA marking :

- ❖ With in 15th of succeeding month. (CGTMSE Portal by end of next quarter)

Claim preferment:

- ❖ With in **3 years of NPA** date or completion of lock in period whichever later.
- ❖ As per Bank guidelines, with in **180 days of NPA/lock** in period whichever is later.

Final claim of 25%, after conclusion of recovery proceedings (or after 3 years of obtention of decree) i.e. **3 year from first claim settlement** date & no assets/networth of borrower or borrower is not traceable.

Parameters for covering CGTMSE for loans above Rs.50 lakhs: (by our Bank) (upto Normal Risk)

- i. Current Ratio – 1.25 and above
- ii. Promoter's contribution – minimum 30% of project cost
- iii. Debt Equity Ratio – 2:1
- iv. Overall DSCR- 1.50 and above.
- v. Fixed Assets Coverage Ratio(FACR) – 1.4 and above
- vi. Internal Rate of Return (IRR) – 5% and above from estimated weighted average cost of funds.

vii. Repayment Period (in respect of Term Loans) – Up to 6 years excluding moratorium period

Credit Guarantee Fund For Micro Units (CGFMU):

- Set up by Govt of India, managed by NCGTC
- For borrowers under **PMMY**, loans upto Rs.10 lakhs without collateral security.
- Overdraft limit of **Rs.10000/-** granted under **PMJDY** accounts are also eligible for cover under CGFMU
- ROI on SHISHU loans (upto Rs.50,000/-) should **not more than Rs.12% p.a.**
- Credit Guarantee is available on a portfolio basis covered at HO.

Credit Guarantee Scheme For Standup India (CGSSI):

- Stand up India Loans above **Rs.10 lacs upto Rs.100 lacs** covered.
- Coverage: Upto Rs.50 lacs **80%**, above Rs.50 lacs:**50%** (i.e.40 lacs + 25 lacs)

Credit Enhancement Guarantee Scheme For Scheduled Castes (CEGSSC):

- ❖ Manufacturing, Trading, Commercial agriculture, food processing, horticulture, poultry etc eligible.
- ❖ Minimum Loan amount covered is **Rs.15 lacs.**

Coverage By Export Credit Insurance From Export Credit Guarantee Corporation (ECGC):

- **Pre Shipment Credit** covered under ECIB-WTPC.
- Bank may absorb the premium under ECIB (WT-PC) of ECGC selectively on a case to case basis

- ❖ **Post-shipment credit** : Export Credit Insurance for Banks (Whole Turnover Post Shipment) [ECIB. (WT-PS)].
- ❖ The **premium** in respect of ECIB (WT-PS) is **borne by the Bank** and not to be recovered from exporters.
- ❖ Additionally, individual **Buyer- wise Policy** to be obtained by the exporter client.

FRAMEWORK FOR REVIVAL & REHABILITATION OF MSMEs:

- ❖ To address Stress in the accounts of MSMEs.
- ❖ Limits upto Rs.25 crores undertaken under this framework.
- ❖ Identification of stress – SMA accounts.
- ❖ Committee approach for stress resolution.

Standby Credit Facilities for MSEs:

- Sanctioned at the time of **initial assessment** for financial assistance, disbursed **when there is cost overrun.**
- Upto **20% of sanctioned limit** or delegated power for Low Risk, NR.
- **10%** for MR and export credit

Gold Card Scheme for Exporters : Standby credit : 20% over and above assessed limit. maximum of **2 times** only in a year for period **not exceeding 60/90 days** at a time

Standby Credit for Capital Expenditure of MSMEs:

- ❖ To meet unforeseen/contingent requirement for acquiring fixed assets
- ❖ Term Loans up to **25 % of the original value** of the existing plant and machinery subject to a **maximum of Rs.25 Lakhs**, at the time of each renewal of working capital limits. **Margin** shall be **15 to 25%** of the cost of fixed asset to be acquired.

CREDIT APPRAISAL- GENERAL GUIDELINES:

- ❖ Comparison of Financials with Latest Financials – Previous **3 years**.
- ❖ ABS for limits above **Rs20 lakhs or Turnover Rs.100 lacs** and above per annum
- ❖ Financial Statements to be verified with **UDIN portal of ICAI**.
- ❖ Legal Entity Identifier applicable for total exposure **Rs.5 cr and above** – as per timelines between 5 to 50 crore.
- ❖ Limits above **Rs.5 crore**: Copy of **Passport of Promoter/Promoter Director, Guarantor** to be obtained.

Obtention of Credit Information Report (CIR) from CIBIL/ Equifax/ Experian/CRIF HIGH MARK for evaluation of credit proposals.
Risk Rating/ECAI Rating.

Formats to be utilized for credit appraisal of MSME proposals are as under

- NF 1042 – “Simplified Common Appraisal Memorandum for MSME loans upto Rs. 10.00 lakhs
- NF 1028 – “Simplified Common Appraisal Memorandum for MSME loans above Rs. 10.00 lakhs and upto Rs. 1.00 Crore
- NF 1029 : Above 1 crore upto Rs.5 crore.
- NF 1023 above 5 cr upto Rs.25 crore.
- Above Rs. 25.00 Crore - Long Format adopted by the Bank

Net Means : in Bankers Opinion Letter:

- Fair means: Rs.10 to 25 lakhs.
- Good: Rs.25 lakhs to Rs.1 crore
- Very Good: 1 to 10 cr.
- Large : 10 to 25 crore.
- Very Large: above Rs.25 crore.

ASSESSMENT – WORKING CAPITAL

- ❖ Turnover Method: **20% of the projected gross annual sales turnover** accepted by the Bank
- ❖ Minimum **margin of 5%** on the projected gross annual sales turnover accepted by the Bank
- ❖ If the available NWC in the system exceeds stipulated 5% minimum margin, the same shall be reckoned for assessing the extent of Bank finance
- ❖ Current Ratio: **1.25**
- ❖ **Applicable to** : MSME Mfg&services : **upto Rs.5.00crore** Traders, Merchants etc: **upto Rs.2.00 crore**

MPBF (Maximum Permissible Bank Finance) Method.

- ❖ Limits beyond Turnover method
- ❖ Proper classification of current assets and current liabilities
- ❖ A normal **current ratio of 1.33**
- ❖ **25% of Current Assets** should be brought in by the borrower/promoter by way of net working capital contribution.
- ❖ No margin on export receivables.

Limits **over 25 Cr** can be assessed on the basis of **MPBF system** or **cash budget** system at the **option of the borrower**

Cash Budget Method:

- ❖ Assessed on the basis of projected cash flow and the estimate of cash deficit
- ❖ Borrowers seeking / enjoying Fund based credit facilities of **over Rs. 25 crore**.
- ❖ Seasonal activities such as **software** development, **construction**, **tea** and **sugar**.
- ❖ Wherever for valid reasons, the borrower opts to avail the Working Capital facility under **MPBF system**, the same may be acceded to
- ❖ Bank shall finance the **discounted Net Cash flow** in form of **Term Loan** not exceeding **3 years** against expected cash flows from AAA rated companied, Govt etc.

Secured Overdraft: Stock statement/Book debt Statement: atleast **once in 6 months**

Other Guidelines pertaining to Working Capital Assessment:

- ❖ Maximum period/ tenability of Working Capital limits shall be fixed at **12 months** irrespective of risk rating/ category (except Staff OD, GLOD, KCC crop loan)
- ❖ The maximum period of **extension** that may be permitted is restricted to **6 months** and maximum of **3 months** at any time for accounts rated up to Moderate Risk.
- ❖ For borrowers rated **High Risk**, only in exceptional cases, extension of tenability can be permitted **only once** and for a period not exceeding **2 months**.
- ❖ Validity of WC sanctions is upto **3 months**
- ❖ Review cum Holding on Operations can be permitted for a maximum period of **6 months** and for a period not exceeding **3 months at a time**

TERM LOANS:

- Short Term: In excess of one year.
- Medium Term: Above 1year upto 3 years.
- Long Term: Above 3 years.

- ❖ **Prepayment penalty** on Floating/Fixed rate term loan is waived in respect of all MSE borrowers to fall in line with MSE Code 2015

- ❖ Term Loan sanctions are **valid till 6 months**

DUE DILIGENCE OF CGTMSE COVERED ACCOUNTS

- First time borrowing **above Rs10 lakhs** with CGTMSE cover : Due Diligence **mandatory**

Agencies for Due Diligence are:

1. M/s. Brickworks Analytics Pvt. Ltd
2. M/s. Acumen Business Consultancy Pvt. Ltd.
3. M/s. SMERA Gradings & Ratings Pvt. Ltd
4. M/s. Infomerics Analytics and Research Private Limited
5. M/s. CRIF Solutions Private Limited

Reports will be submitted by these agencies **within 3 days** of receipt of request.

CREDIT INFORMATION REPORTS (CIRs)

1. M/s. TransUnion CIBIL Limited
2. M/s. Experian Credit Information Company India Private Ltd. (ECICI)
3. M/s. Equifax Credit Information Services Private Ltd. (ECIS)
4. M/s. CRIF High Mark Credit Information Services Pvt. Ltd. (CHMCIS)

- ❖ Obtention of CIR is a pre sanction exercise.
- ❖ In respect of secured MSME loans, only one CIR may be obtained and analysed for loans **upto Rs. 10 lakhs**.
- ❖ **2 CIRs above Rs.10 lakhs**.
- ❖ In respect of proposed exposure of MSMEs above Rs. 10 lakhs and upto Rs. 10 Crores, wherever the two Credit Information Reports (CIRs) are to be obtained, branches/offices shall obtain **one from M/S TransUnion CIBIL including CMR** and another report from any of the Credit Information Companies (CICs).
- ❖ **LAPS package** is having interface with the Credit Information Companies for fetching the credit information reports (CIRs) directly

In case, CIC score of the borrower as per CIC Report (Consumer) **is less than 650**, proposal may be sanctioned by **Next Higher Authority** upto RO Head CAC and by **Respective CACs above RO Head CAC powers**.

CIBIL MSME RANK (CMR):

- ❖ **For MSME proposals**. It predicts Probability of Default over one year time horizon.
- ❖ Commercial CIBIL CIR contain **CMR ranking from 1 to 10. 1 being the best rank and 10 being the worst**.
- ❖ Applicable to : Existing & Proposed – FB & NFB **above Rs.10 Lakhs to Rs.10 Crores**
- ❖ **Charges for CMR:** Bank shall collect **Rs.900/-** plus Applicable taxes (Present **CIR charges Rs500/-** + Additional Charge for **CMR Rs 400/-**) from customers for whom CMR is being generated

CREDIT RISK RATING

1. For borrower accounts with exposure of **above Rs. 2 crore - CIRM model/CIRM Hybrid Model** (as applicable)
2. For accounts with exposures **above Rs. 20 lakh and upto Rs. 2 crore - Manual Model**
3. For accounts with exposures **above Rs. 2 lakh and upto Rs. 20 lakh - Small Value Model**
4. For accounts with exposure **up to Rs 2 lacs** and some specific exposures having pool characteristics - **Portfolio model**.

The **CIRM Hybrid model** is applicable for the Manufacturing, Trading and Services (wherever balance sheet is available) as under:

- ❖ New Borrower (except Greenfield projects) having exposure above **2 Cr to 5 Cr** (irrespective of turnover).
- ❖ Existing borrower having exposure **above 2 Cr. to 5 Cr.** (irrespective of turnover).
- Review of Rating: **Annually**. (for Listed companies and
- **High Risk** : HR 1-3 (CNR IX to CNR XI): **Quarterly**.
- At the time of Restructuring if identified for restructuring.

External Credit Rating

- ❖ ECAI rating shall be obtained from all the Borrowers who are enjoying credit exposure (FB + NFB) of **above Rs. 25 crore** from Banks/FIs

Domestic Credit Rating Agencies:

- Credit Analysis and Research Ltd. (CARE)
- CRISIL Ratings Ltd.
- India Ratings Ltd (Formerly Fitch Ratings India Pvt Ltd. [FITCH])
- ICRA Ltd. (ICRA)
- ACUITE Ratings and Research Ltd (Erstwhile SMERA)
- Brickwork Ratings
- INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS)

International Credit Rating Agencies:

- Fitch Ratings Ltd. (FITCH)
- Moody's Investor Services Ltd. (MOODY'S)
- Standard & Poor Rating Agencies Ltd. (S&P)
- ❖ In case of externally unrated borrowers with exposure above **Rs 25 Crores up to Rs 100 Crores**, additional interest of **0.25%** shall be charged
- ❖ Externally unrated borrowers with exposure **above Rs 100 Crores**, additional interest of **0.50% shall be charged**

The **Credit Scoring Model** is applicable for Micro, Small and Medium enterprises applying for loans from our Bank for the first time

- Exposures upto an aggregate amount of **Rs.2 crores**).
- The MSME being scored under the model should fetch at least 60% of the marks under the applicable parameters to become eligible for finance.
- Rejection of the loan proposals of MSME entrepreneurs who score less than 60% marks shall be done by the NHA.

Canara Bank Proposal Rating (CBPR)

CBPR is the Credit scoring matrix framework (**Proposal Rating**) applicable for new proposal as well as renewals **>=Rs. 10 crore** in case of MSME accounts as Pre sanction exercise

The risk-scoring matrix consists of **34 parameters that are spread across 7 scoring sheets** for loan categories covering Corporate and MSME loans

Rating grade	Grade Description
CBPR -1	The degree of risk assessed as Low.
CBPR -2	The degree of risk Normal.
CBPR -3	The degree of risk Medium.
CBPR -4	The degree of risk High.
CBPR -5 (NO GO)	The degree of risk Very High proposals is not acceptable/not to be considered.

Facility Rating for Corporate Loan Portfolio (Exposure Above 5 Crores – FB+NFB):

- Facility rating is to be carried on annual basis preferable along with balance sheet rating
- The Competent Authority, who is empowered to confirm RAM/CIRM Rating is also empowered to confirm Facility rating irrespective of Facility rating grade

TAKE OVER OF ACCOUNTS: Norms:

- External Rating BBB and above. No downgradation of rating during previous year.
- Earning **profits for previous 3 years** & other financials satisfactory
- Not classified under **SMA-2** during previous one year.
- Account **not classified as Restructured**.
- In case of Manufacturing unit, **atleast 1 year old** .
- **DCCO** accomplished **more than 6 months**.
- Satisfactory repayment track record for 6 months.

- ❖ In case of MSME accounts, the accounts rated externally “**BB**” or better shall only to taken over.
- ❖ In case of other than MSME accounts, the accounts rated externally as “**BBB**” or better shall only be considered
- ❖ **2 years Audited financials of corporates** to be verified with **ROC** and analysed.
- ❖ The current ratio shall not normally be less than **1.33 (1.25** in the case of accounts under Turnover method) as per latest ABS
- ❖ The **current ratio** norm can be **relaxed upto 1 (including 1)**
- ❖ Debt-Equity Ratio shall not be more than **2:1** as per the latest ABS. Exception upto **3:1 permitted**.
- ❖ Difference in actual financials vis-à-vis projections and time and cost overrun of **over 15%** is observed, **takeover be avoided**
- ❖ **Dilution of security/** reduction in margin should not occur on account of take over

Takeover with enhancement:

- ❖ Security coverage including Land & Building, NSC,KVP, Term Deposits etc **not less than 50% of exposure** including proposed enhancement.
- ❖ If enhancement is more **than 25% of existing limits**, sanction by **NHA**.

STOCK AUDIT:

- ❖ Pre release condition in take over.
- ❖ Upto **Rs.10 cr, waiver** of Stock Audit if transferor bank provides Audit Report less than 6 months old.

DIGITAL LENDING FRAMEWORK

Lending process **by digital channels for acquisition, disbursement, repayment** and engagement and by leveraging digital data and advanced algorithms for credit decisions, collections and customer engagement.

PSB loans in 59minutes

- ❖ To apply and get **“in Principle Sanction”** for Business Loans within 59 minutes without any physical contact with Bank Branch.
- ❖ For MSME loans under MUDRA category and other loans **upto Rs. 5 Crores** within 59 minutes.
- ❖ Subsequent to this in-principle approval, the loan is required to be sanctioned & disbursed in 7-8 working days
- ❖ URL:
- ❖ <https://www.psbloansin59minutes.com>;
<https://www.psbloansin59minutes.com/canarabank>

Various category of loans that are considered for sanctioning on the platform includes:

- ❖ Working Capital / Term Loan (New & Renewal) under MUDRA.
- ❖ Working Capital /Term Loan (New & Renewal) from **Rs 10 lakhs to Rs 100 lakhs**
- ❖ Working Capital / Term Loan (New & Renewal) **above Rs 100 lakhs to Rs 500 lakhs**.

Tie-Up with Fin-techs : ‘M/s. Basix Sub-K iTransactions Limited’ for MSE beneficiaries.

- ❖ Source eligible MSE proposals up to and inclusive of Rs.10,00,000/-(Ten lakhs only), in the service areas of the designated Circles/Branches
- ❖ Obtain application and other required documents
- ❖ Conduct KYC, Due Diligence and credit verification check

“MSME SUGAM” is an exclusive MSME product put in place by our Bank under tie-up with the aforesaid fin-techs. For WCTL and Term Loans.

Trade Receivables Discounting System (TReDS):

- ❖ Our Bank is on boarded for participating as 'Financing Bank' on the TReDS digital platform of M/s.RXIL, M/s.A.TReDS Ltd. (Invoicemart) and M/s.Mynd Solutions (M1xchange) for online discounting of trade receivables by executing Master Agreement with them
- ❖ Bills upto a **tenor of 180 days** can be quoted for discounting on the platform

Co-lending model of RBI

Bank has entered into tie-up arrangement with the following **NBFCs** for sanctioning of MSME loans:

- Indiabulls Commercial Credit Limited &
- Lending kart Finance Limited

MSME CLM-LAP : MSME Term Loans upto **Rs.10 crores**, tenability:**10 years**. 3 months moratorium. **20% margin**.

Canara CLM Samarth : Working Capital upto **Rs.10 lakhs**. No margin. Tenability: **12 to 36 months**.

- ❖ The share of funding under the tie-up with both NBFCs is in the ratio of **80:20** for Bank and NBFC respectively
- ❖ NBFC will source proposal and **disburse 100%** of loan to borrower upfront. Documents to be obtained by NBFC.
- ❖ The NBFC will **assign** the approved files **in favor of the Bank** for the **80%** share of funding done by the Bank by execution of the Assignment Agreement.
- ❖ The remaining **20% share** in the original loan will be **retained by the NBFC**.

End to end digitization of Shishu Mudra Loans

- ❖ Shishu Mudra Loans up to **Rs. 50,000/-** under **STP mechanism**

“Jansamarth Portal” (also known as National Portal):

Conceptualized by the Department of Financial Services (DFS), Ministry of Finance, **Government of India**

The following **Credit linked Govt. MSME schemes** have been made eligible for routing **through the Jansamarth Portal**:

- ❖ Pradhan Mantri Mudra Yojana (PMMY)
- ❖ Weavers Mudra
- ❖ Stand Up India
- ❖ National Urban Livelihood Mission (NULM)

ACCOUNT AGGREGATOR: Services as Financial Information Provider (FIP), Financial Information User (FIU)

- Consented sharing of information in real time and ensuring data privacy.

GOVERNMENT INITIATIVES TO PROMOTE MSMES:

Pradhan Mantri Mudra Yojana (PMMY):

3 CATEGORIES:

- ❖ Shishu: Loans upto Rs.50,000/-
 - ❖ Kishore : >50,000/- upto 5.00 lakhs
 - ❖ Tarun: > 5.00 lakhs upto Rs.10 lakhs
-
- An overdraft amount upto **Rs 10,000/-** sanctioned under **PMJDY** is also classified under MUDRA loans
 - No collateral Security upto **Rs.10 lakhs** under **PMMY**

CGFMU GUARANTEES LOANS

Stand Up India Scheme (SUI):

- To promote entrepreneurship among **SC/ST and Women** entrepreneurs
- Loans **above Rs.10.00 Lakhs to Rs. 1.00 crore** to Schedule Caste (SC) or Scheduled Tribe (ST) Entrepreneurs and Women Entrepreneurs for **setting new enterprise**(MSME & AG) in the form of **Composite loan (WC+TL)**.
- **Margin of 15%** is stipulated under the scheme.
- If Govt subsidy is there, **10% margin**.
- Covered under Credit Guarantee Scheme for Stand up India. (**CGSSI**)

PM Street Vendor's Atma Nirbhar Nidhi (PMSVANidhi) scheme

- WCDL up to **Rs.10,000/- repayable in 1 year** in monthly instalments.
- On timely or early repayment, the vendors are eligible for **2nd tranche loan** with minimum loan amount of **Rs 15000/-** and maximum loan amount of **Rs 20000/-**
- **.3rd tranche loans** under the scheme of **upto Rs. 50,000/-** may be considered to the eligible beneficiaries, subject to **successful repayment of the 2nd tranche** loans extended to them for **upto Rs. 20,000/-**.
- Bank shall ensure **marking of the 2nd loan as closed**, for processing the 3rd loan.
- The street vendors availing loans under the scheme are eligible to get an **Interest Subsidy @ 7%** for all the loans i.e. 1st, 2nd and 3rd loans.
- Interest subsidy claims on all loans under the scheme will be paid **till March, 2028**.

DEENDAYAL ANTYODAYA YOJANA (DAY-NULM)SCHEME:

- Interest subsidy, **over and above 7% rate of interest** will be available on a bank loan for setting up of individual or group enterprises
- The difference **between 7% p.a. and the rate of interest** charged by the bank will be provided to Banks under DAY-NULM
- An **additional 3% interest subvention** will be provided to all **Women SHGs** (WSHG) who repay their loan in time.

Prime Minister's Employment Generation Programme (PMEGP)

- ❖ Administered by the Ministry of Micro, Small and Medium Enterprises (**MoMSME**)
- ❖ Implemented by Khadi and Village Industries Commission (**KVIC**) at the National level
- ❖ At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (**KVIBs**) and District Industries Centres (**DICs**) and banks.
- ❖ Cost of the project to be set up under the scheme, should not exceed **Rs. 50 lakhs** in respect of **manufacturing activity** and **Rs. 20 lakhs** in respect of **Service / business activity**. Beyond this, banks may grant without Govt subsidy.

Sanctioning 2nd loan

- For **manufacturing units**, financial assistance upto an **amount of Rs.1 Crore** would be provided,
- For **Service/Trading** Units, financial assistance upto an amount of **Rs.25.00 lakhs** would be provided
- **Subsidy of 15%(20% for NER and Hilly States).**

Weaver's Mudra Scheme:

- ❖ Working Capital upto a Maximum of **Rs.2 lacs** and **Term Loan** upto a Maximum of **Rs.50000** within a overall exposure of **Rs.2 lacs** per Borrower.
- ❖ Margin Money Assistance - **20% of** the project cost subject to a maximum of **Rs.10, 000/- per weaver**
- ❖ **Interest Subvention** – The **difference** between the actual **interest charged by the Bank and 6% p.a.** The maximum interest subvention shall be capped at 7% p.a. and will be provided for a **maximum period of 3 years** from the date of first disbursement.
- ❖ One time **guarantee fee** and **annual service fee** to CGTMSE for a period up to **3 years to be borne by the Government.**

Partial Risk Sharing Facility (PRSF):

- ❖ Implemented by SIDBI and supported by World Bank
- ❖ Aims to promote **Energy efficiency (EE) projects** implemented by ESCOs (Energy Saving Companies)
- ❖ The performance risk is borne by the ESCO, financial risk may be borne by the ESCO or host basing on model.
- ❖ SIDBI, provides **credit guarantee of upto 75%** of the loans granted by Financial Institutions.

Credit Linked Capital Subsidy Scheme (CLCSS & SCLCSS):

- The quantum of capital subsidy would be restricted to **15%** (maximum up to **Rs.15 lakh**) of the eligible investment under CLCS. Loan ceiling **Rs.100 lakh**.
- SCLCSS (Special Credit Linked Capital Subsidy Scheme): **SC/ST MSEs** are provided **additional 10%** subsidy (over disbursement of 15% subsidy under CLCS) under National SC/ST Hub (NSSH).
- SC/ST MSEs of Service Sector apart from the Manufacturing Sector are also eligible for **25% subsidy under SCLCSS** for procurement of equipments

Zero Defect Zero Effect:

- ❖ To promote Zero Defect Zero Effect practices among MSMEs.
- ❖ All MSMEs registered with the UDYAM registration portal are eligible to participate in MSME Sustainable (ZED) Certification and avail related benefits/incentives.

Benefits/incentives to ZED certified MSMEs under the revamped ZED scheme:
Concession in Rate of Interest and Processing Charges (both same rate)

Risk Rating: Internal Rating – CNR I to V (Minimal/LR) External Rating – AAA/AA/A : Concession of **0.1%** (Bronze), **0.25%** (Silver), **0.5%** (for Gold).
Internal Rating – CNR VI (NR) External Rating – BBB : **0.1%, 0.2%, 0.3%** bronze/silver/gold
Internal Rating – CNR VII (MR-1) External Rating – BBB : **0.1%** (silver) **0.25%** (gold)
BB/B and below: No concessions

INITIATIVES TO SUPPORT MSMEs (PAN-INDIA) AFFECTED BY OF THE COVID-19 PANDEMIC

GUARANTEED EMERGENCY CREDIT LINE: (GECL)

- ❖ Implemented by M/s. **NCGTC Ltd.**

GECL 1.0 :

- ❖ 20% of their outstanding with exposure upto Rs.50 crores (later extended to 30%) & DPD upto 60 days.
- ❖ WCTL term 36 months, moratorium 12 months.(tenor extended to 5 years and moratorium 24 months)

GECL 2.0 component of GECL scheme :

- For identified industries & Health sector. **20%** (later extended to **30%**)of outstanding for exposure above **50 cr upto Rs.500** crores with **DPD upto 60 days default.**
- Repayment **6 years**, moratorium **2 year.**
- ROI:**9.25%** max.

GECL 3.0 component of GECL scheme:

- ❖ **Hospitality, Travel & Tourism** and Leisure & sporting sectors and Civil Aviation sectors. standard but not in default for more than **60 days**
- ❖ Additional WCTL facility **upto 40% (extended to 50%)**of their total credit outstanding (FB only) as on 29.02.2020, subject to a cap of **Rs. 200 Cr. per borrower.(400 cr for Aviation)**
- ❖ If already availed 20% under GECL1 or GECL2, they are eligible for remaining **20% in GECL 3.** Tenor **6 years**, moratorium **2 years** on principal amount. ROI:**9.25%** max.

GECL 4.0 component of GECL scheme (CANARA GECL Jeevanrekha)

Loans upto Rs. **2 Cr.** is extended to eligible **hospitals/nursing homes/clinics/medical colleges** for setting up **low cost oxygen generation plants.** Tenor **5 years.** **Moratorium 6 months.** ROI:**7.5%** max.

GECL scheme valid till 31.03.2023 or till guarantees reaching **5 lakh crore rupees whichever is earlier.**

Credit Guarantee Scheme For Subordinate Debt (CGSSD):

- Launched by CGTMSE
- Loans named as “**Distressed Asset Fund – Subordinated Debt for Stressed MSMEs**”.
- MSMEs whose accounts have been standard as on 31.03.2018, which are **stressed viz., SMA 2 and NPA accounts** as on 30.04.2020, which are **eligible for restructuring as per RBI guidelines.**
- Promoter of the MSME unit will be given **credit equal to 15% of his/her stake (Equity + Debt) or Rs.75 Lakhs whichever is lower** as personal loan(to be **infused as equity/quasi equity/sub-debt** in the MSME Unit.)
- The maximum tenor for **repayment will be 10 years.** Moratorium of **7 years (Maximum)** on the payment of principal. Till the 7th year, only interest will be paid. **Principal** will be paid in **3 years after 7 years moratorium.**
- **90% guarantee coverage** would come from CGTMSE and **remaining 10% from concerned promoter(s).**
- Guarantee **fee of 1.50%** per annum on the guaranteed amount on outstanding basis.

Loan Guarantee Scheme For Covid Affected Sectors (LGSCAS):

- Setting up of/modernization/expansion of COVID related **healthcare infrastructure and services** in the non-metropolitan areas
- Credit guarantee coverage of M/s. **NCGTC : 75%** in case of eligible Greenfield projects & eligible Brownfield projects in Aspirational Areas
- **50% for Brownfield projects**
- **No guarantee fee** will be charged by M/s. NCGTC in this regard.
- **Loans upto Rs100 crores** (upto Moderate Risk Rated). ROI: **7.95%**
- Period of Guarantee: **5 years**
- Collateral securities: **40% for Greenfield projects, 20% for Brownfield projects.**
- Scheme valid till 31.03.2023 or reaching Rs.50,000 crores guarantee whichever earlier.

Loan Guarantee Scheme for the Covid Affected Tourism Service Sector (LGSCATSS):

- ❖ **100% credit guarantee facility** of M/s. NCGTC Ltd
- ❖ Registered Tourist Guides (recognized/ approved by M/o Tourism and State Govts/ UT Administrations), Travel & Tourism Stakeholders
- ❖ Scheme valid till 31.03.2023 or 250 crores guarantee amount, whichever earlier.
- ❖ WCTL/TL upto **Rs.1.00 lakh** to tourist guides **Rs10 lakhs to existing borrowers (tourism stakeholders)**
- ❖ ROI: 7.95%
- ❖ Repayment : 5 years. Moratorium:1 year (only interest payable)

MSME PRODUCTS AND SCHEMES APPLICABLE PAN INDIA

Canara Vyapar Scheme:

- Loan max. **Rs.10 crore** (Working Capital & Term Loan)

Canara MSME CAP:

- Working Capital & Term Loan against security of Land&Building (self or close relatives)
- Quantum: **Rs.20 cr** for **Manufacturing** **Rs.10 cr** for **Service** Sector.

Canara Udyog:

- **Above Rs.10 lacs to Rs.10 crore.** WC or TL. Minimum **margin: 20%**

Doctor's Choice:

- Max. **Rs.5 crore** (TL or WC or Composit)

Canara Contractor:

- Loan: **Above Rs.10 lakhs upto Rs.10 crore.** WC/TL/Composit/NFB

Canara Smart Professional

- Quantum: **Rs2 crore in Urban/Metro, Rs.50 lakh in other centres.**

MSME Can BEML

- Credit to the Earth moving contractors
- Term Loan : quantum of between **Rs. 20 lakhs to Rs. 300 lakhs**

Canara MSME Expo:

- To the exporters in MSME sector for purchase of software/hardware for fashion designing, **travelling abroad for business purpose**
- Term Loan with maximum permissible loan quantum **of Rs. 50 lakhs**

Canara Caravan:

- Existing Transport Operators under MSME segment having 3 years of experience, to finance new vehicles
- Term Loan with permissible loan quantum of **Rs. 25 lakhs to Rs. 5 Crores**

MSME Vahan

- Purchase of brand new vehicles as business assets
- 90% of the "On Road Cost" value OR Average of last 3 years Net Profit Whichever is lower, with a maximum of **Rs. 25.00 lakhs**, by way of Term Loan.

Canara MSE Vijeta (II):

- TL or WC or Composit above **Rs. 10.00 lakhs and upto Rs. 2.00 crores**

Mudra Canara Athithi

- TL for business equipment or WC or composit loan quantum of **Rs. 10 lakhs**

CANARA GST:

- Working Capital requirement of GST registered MSME borrowers (New/Existing), by way of fund based exposure, upto a maximum of **Rs. 5 Crores**.
- New customers with minimum business operation of 6 months

Canara MSME Gold Loan

- Minimum loan quantum of Rs. **1 lakh** and maximum of **Rs. 35 lakhs**.

Standby credit for capital expenditure of MSMEs:

- Quantum of loan may be up to **25 %** of the original value of the existing plant and machinery subject to a maximum of **Rs.25 Lakhs**, at the time of each renewal of working capital limits

Standby credit for Apparel Exporters in Small and Medium Sector:

- Satisfactory Track record for 3 years.
- Standby Term Loan max. **Rs.100 lakhs**

Loan scheme for reimbursement of investment made in fixed assets by MSMEs

- To reimburse the investment made on fixed assets acquired during the immediately preceding **6 months**
- **Rs. 50 lakhs** for **new machinery** and maximum of **Rs.15 lakhs** for **second hand machinery** which is **not more than 2 years old** from the original date of purchase.

Loan scheme for providing Risk Capital assistance

- To assist the deserving MSMEs in the form of quasi equity by way of Term loans, on need basis.
- The quantum of assistance is minimum **Rs. 25 lakhs** and a **maximum of Rs. 10 crores** subject to Sub-debt assistance not exceeding 1/3rd of the Post-project Tangible net worth of the enterprises at the time of sanction.

Laghu Udayami credit card scheme

- 3 years satisfactory dealings. Maximum limit Rs.10 lakhs

Standby LC facilities

- Standby LC covering import of goods into India
- Similar to **financial guarantees** which serve as an additional comfort
- The maximum period of LC will be **one year**

CLUSTER APPROACH

A 4-C approach namely, Customer focus, Cost control, Cross sell and Contain risk

Compiled by M Chandra Sekhara Reddy Retd AGM, Canara Bank