



**ORIENTAL BANK OF COMMERCE**

**SME**  
(Small and Medium Enterprises)

**DRS**  
(Debt Restructuring Scheme)

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## 1. DEFINITION OF SMALL AND MEDIUM ENTERPRISES (SME)

Definition of each category are as under:

S. No.		<b>Manufacturing Sector</b> (original investment in plant and machinery)	<b>Service Sector</b> (investment in equipment)
1.	<b>Micro Enterprise</b>	Not exceed Rs. 25 lakh	Not exceed Rs. 10 lakh
2.	<b>Small Enterprise</b>	More than Rs 25 lakh but does not exceed Rs. 5 crore	More than Rs. 10 lakh but does not exceed Rs. 2 crore
3.	<b>Medium Enterprise</b>	More than Rs. 5 crore but does not exceed Rs. 10 crore	More than Rs. 2 crore but does not exceed Rs. 5 crore

The service sector will also include small road and water transport operators, small business and professional and self-employed persons.

## 2 OBJECTIVE

2.1 The objective of the DRS for SMEs is to ensure timely and transparent mechanism for restructuring the debts of potentially viable entities facing problems for the benefit of all concerned. In particular, the framework will aim at preserving viable SMEs that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme.

### 2.2 NEED FOR RESTRUCTURING DEBTS OF SMEs

2.2.1 Cash flows for small loan borrowers come from a single stream and not multiple sources. Any disturbance in the stream of cash flows would lead to inadequacies and resultant defaults. As a number of factors could cause such cash flow inadequacies, default in small loan accounts could occur due to a number of reasons

2.2.2 One cannot overlook the impact of other causes such as economic downturns, supply chain disruptions affecting production, natural calamities, fluctuations in price of produce, seasonal cash flow inadequacies, collection inefficiencies, production losses and poor productivity etc on business and loan performance. Power failures resulting in delay or lag in production and breakdowns causing additional expenses are not uncommon. Borrowers' capacity to manage cash flow inadequacy related risks would critically impact the performance of small loans.

2.2.3 Default in a loan account occurs when interest or installment payable is delayed and the repayment of principal is delayed or denied. In the event of default continuing beyond a specified period the accounts are to be treated as

NPA and the IRAC norms apply. Default is a function of losses / other cash flow inefficiencies.

2.2.4 Default becomes willful if it occurs despite good production, business volumes and where situation is otherwise normal. This would show that funds have been diverted or misapplied. When loan funds have been used for other than those for which the loan has been agreed upon and if default occurs, the default is willful. Willful default calls for a different treatment. These defaults have to be pursued for full recovery.

2.2.5 In cases where defaults are not willful there could be certain systemic causes of default. Stipulation of repayment obligation far in excess of likely cash flow, stipulating a high rate of interest, linking deposit mobilization efforts to loans, high collateral cost, need to borrow from informal sources for meeting margin requirement etc. These aspects tend to increase defaults.

2.2.6 The need for restructuring of debt in SME cases therefore arises by assisting such genuine borrowers to tide over such situations by way of rescheduling / restructuring their debt, reducing rate of interest, rephrasing / capitalising overdues and giving additional loans. Such cases have to be identified carefully and the concessions cannot be given as a matter of routine since such restructuring affects the Bank's profitability.

### **3 ELIGIBILITY CRITERIA OF CASES UNDER SME-DEBT RESTRUCTURING SCHEME (DRS)**

3.1 **Eligibility criteria:** As per RBI guidelines the Debt Restructuring guidelines shall be applicable for SMEs to the following entities, which are viable or potentially viable :

3.1.1 All non-corporate SMEs irrespective of the level of dues to banks.

3.1.2 All corporate SMEs, which are enjoying banking facilities from a single bank, irrespective of the level of dues to the bank.

3.1.3 All corporate SMEs, which have funded and non-funded outstanding up to Rs.10 crore under multiple/ consortium banking arrangement.

Accounts involving wilful default, fraud and malfeasance will not be eligible for restructuring under these guidelines.

Accounts classified by banks as "Loss Assets" will not be eligible for restructuring.

In respect of BIFR cases banks should ensure completion of all formalities in seeking approval from BIFR before implementing the package.

3.2 All corporate SMEs which have funded and non –funded outstanding of Rs.10.00 crore and above shall be restructured as per the CDR mechanism as laid down in RBI circular no.DBOD.No.BP.BC.45/21.04.132/2005-06 dated

November 10, 2005. The same shall however be modified in the light of guidelines to be issued by RBI and when the same is received.

#### **4 CASES WHICH CANNOT BE CONSIDERED UNDER SME-DRS**

- 4.1 Accounts classified as “Loss Assets” will **not** be eligible for restructuring under this scheme.
- 4.2 Cases involving frauds or diversion of funds with malafide intent will **not** be eligible for restructuring under this scheme.
- 4.3 Accounts involving fraud and malfeasance will **not** be eligible for restructuring under this scheme.
- 4.4 In respect of BIFR cases approval from BIFR shall be obtained before implementing the package and completion of all formalities in seeking BIFR approval shall be obtained.
- 4.5 The definition of willful default, will broadly cover the following :
  - 4.5.1 Deliberate non-payment of the dues despite adequate cash flow and net-worth.
  - 4.5.2 Siphoning off of funds to the detriment of the defaulting unit.
  - 4.5.3 Assets financed have either not been purchased or have been sold and proceeds have been mis-utilised.
  - 4.5.4 Misrepresentation /falsification of records.
  - 4.5.5 Disposal/removal of securities without bank's knowledge; and.
  - 4.5.6 Fraudulent transactions by the borrower.
- 4.6 The views of the bank in regard to willful mismanagement of funds/defaults will be treated as final.
- 4.7 In case of willful defaulters under SME category, the bank may review the reasons for classification of the borrower as willful defaulter specially in old cases where the manner of classification of a borrower as a willful defaulter was not transparent and satisfy itself that the borrower is in a position to rectify the willful default provided he is granted an opportunity under the Debt Restructuring Mechanism for SMEs. *Such exceptional cases may be admitted for restructuring with the approval of the Board of Directors of the Bank only. Such cases should be referred by RO to HO giving full details and justification.*

#### **5. TIME FRAME FOR APPROVAL OF PROPOSALS UNDER SME-DRS**

- 5.1 **RBI Guidelines:** Banks should work out the restructuring package and implement the same within a maximum period of 90 days from date of receipt of requests.
- 5.2 **Bank's Policy:** The Restructuring package should be worked out and implemented within 90 days from the date of receipt of request for restructuring from the borrower.

## **6 REJECTION OF CASES UNDER SME-DRS AND MAINTAINENCE OF REGISTER FOR RECORDING SANCTIONS / REJECTIONS**

- 6.1** Rejection of applications received under SME-DRS should be done after careful consideration and reasons for rejection should be recorded in the process note with valid reasons.
- 6.2** Rejections of applications under SME-DRS should be done only after obtaining prior approval of the next higher authority. The copy of the process note giving valid reasons for rejections and views should be sent to the next higher authority for prior approval.
- 6.3** A register should be maintained at the Branch wherein the following details should be recorded and made available to all inspecting agencies:
  - 6.3.1** Date of receipt of application
  - 6.3.2** Date of sanction / rejection
  - 6.3.3** Reasons for rejection
  - 6.3.4** Date of disbursement
- 6.4** If the restructuring is not found viable the bank would be free to take necessary steps for immediate recovery of dues.

## **STAGES AT WHICH PROPOSALS UNDER SME-DRS CAN BE CONSIDERED**

- 7.** There would be no requirement of the account / borrower being sick, NPA or being in default for a specified period before being considered for restructuring under the SME-DRS.
  - 7.1** However potentially viable cases of NPAs should get priority.

This approach would provide the necessary flexibility and facilitate timely intervention for debt restructuring under SME-DRS.
  - 7.2** The debt restructuring exercise would have to be triggered by the Bank and prescribing any milestone(s) would not be necessary.
  - 7.3** Proposals under SME-DRS may normally be considered at various stages such as:
    - 7.3.1** before commencement of commercial production;
    - 7.3.2** after commencement of commercial production but before the asset has been classified as 'sub-standard';
    - 7.3.3** after commencement of commercial production and the asset has been classified as 'sub-standard' or 'doubtful'.
    - 7.3.4** Any other stage other than above.

## **8 FACTORS TO BE EXAMINED WHILE CONSIDERING PROPOSALS UNDER SME-DRS**

- 8.1 Besides fulfilling the eligibility criteria and the viability criteria it should be ensured that over-optimistic projections are not assumed while preparing / approving restructuring proposals especially with regard to capacity utilization, price of products, profit margin, demand, availability of raw materials, input-output ratio and likely impact of imports / international cost competitiveness.
- 8.2 In case there are major inspection irregularities such as non-charging of securities etc, the restructuring should be done subject to the rectification of such major inspection irregularities.
- 8.3 All securities charged to the Bank would be automatically extended to secure the restructured debt unless the release of any security is a part of the restructuring package.
- 8.4 The limitation should be alive and in case the same is expiring within the next one year at the time of considering the restructuring, the limitation should be got extended.
- 8.5 Personal guarantees of the promoters should be obtained (except when the unit is affected by external factors pertaining to the economy and industry).

## **9 VIABILITY CRITERIA FOR SME-DRS**

- 9.1 **RBI guideline:** Banks may decide on the acceptable viability benchmark, consistent with the unit becoming viable in 7 years and the repayment period for restructured debt not exceeding 10 years.
- 9.2 In terms of RBI guidelines applicable to Debt Restructuring Mechanism for SMEs, entities which are viable or potentially viable can be considered. In order to have uniformity in the assessment of viability it is proposed to stipulate the following viability criteria.

<b>PARTICULARS</b>	<b>VIABILITY NORMS FOR SME-DRS</b>
Minimum Average DSCR	1.25
Maximum Period within which the unit should become viable	7 years
Maximum Repayment period of the restructured debt	10 years
Minimum Promoters' Contribution <b>(of which at least 50% must come upfront and</b>	<b>Micro Sector</b> 10%

<b>balance within 6 months)</b>	<b>All other sectors</b> 20%
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The relief and concessions may be decided as per the cash flow anticipated in the techno- economic viability report.

## **10. PAPERS TO BE OBTAINED FROM BORROWERS UNDER SME-DRS**

10.1 The request for restructuring should come from the borrower. However initiation of action for restructuring should be done by the branch based on identification of the accounts needing restructuring as per the criteria laid down under the Bank's SME-DRS.

10.2 The Branch and Regional Office would have to start the identification process of identifying the accounts under Standard, SMA, Sub-standard and doubtful category which would need restructuring and contacting the respective borrowers. The recovery process can be aided and further slippage can be avoided by restoring the health of the account through the restructuring process. The borrowers would have to be educated for the same.

10.3 The SMA accounts and NPA accounts in particular should be targeted for the restructuring process.

10.4 The papers to be obtained duly signed by the authorized signatory of the borrower for considering proposals under the SME-DRS would be

10.4.1 Application for restructuring of debts under the Bank's SME-DRS.

10.4.2 Copies of the audited balance sheet and profit and loss account of the borrower for the last three years.

10.4.3 Unaudited data for the current year.

10.4.4 For projects under implementation, details of sources and uses of funds since inception.

10.4.5 Assumptions or the basis underlying the projections for the restructuring requested and justifications for the reliefs and concessions requested.

10.4.6 Projected Profitability statement covering the period of repayment proposed for the restructured debt along with the calculation of DSCR.

10.4.7 Projected Balance sheet and Profit and Loss account covering the period of repayment proposed for the restructured debt.

10.4.8 Projected cash flow statements covering the period of repayment proposed for the restructured debt.

10.4.9 Techno-economic viability study report to be obtained for exposure of Rs. 10.00 crore and above.

10.4.10 Statement showing identification of the sources of margin money.



10.4.11 Statement showing the annual working capital requirement.

## **11 TYPES OF RELIEFS /CONCESSIONS / RESTRUCTURING UNDER SME-DRS**

- 11.1 The type of relief / concessions / restructuring to be considered would vary from case to case depending on individual facts and no standardized approach can be adopted. While considering the reliefs / concessions, it has to be kept in view that restructuring involves sacrifice on behalf of the bank and should be approved with prudence and based on realistic basis of achievement of projections by the borrower. The reliefs and concessions are not to be given in routine manner and have to be decided based on the commercial judgment and merits of each case.
- 11.2 The various types of relief / concessions / restructuring that can be considered include:
- 11.2.1 Increase in the moratorium period already approved with justifiable reasons.
- 11.2.2 Reschedulement of the principal and /or interest for repayment.
- 11.2.3 Reduction in rate of interest on the existing exposure of the Bank to the Borrower.
- 11.2.4 Charging of interest on simple interest basis.
- 11.2.5 Waiver /refund of penal rates of interest charged partially / fully.
- 11.2.6 Waiver/refund of liquidated damages / service charges / legal charges partially / fully.
- 11.2.7 Conversion of unpaid interest / overdue interest charged into Funded interest Term Loan (FITL) to be repaid over time with / without moratorium based on the cash flow availability.
- 11.2.8 Conversion of overdue instalments / irregular portion of Term Loan / Working capital into working capital term loan (WCTL) to be repaid over time with / without moratorium based on the cash flow availability.
- 11.2.9 Outstanding principal and interest components are converted into equity, debentures, zero coupon bonds or other instruments.
- 11.2.10 Sanction of additional finance at applicable rate of interest.
- 11.3 In the case of accounts classified as “doubtful” it would not be binding on the Bank to take up additional financing worked out under the SME-DRS and the decision to lend or not to lend will depend on the Bank. In other words the Bank reserves the right to restructure only the existing exposure and it would be up to the promoters to firm up additional financing arrangement with new or existing creditors individually.

## 12. DISCRETIONARY POWERS FOR SANCTIONING CASES UNDER SME-DRS

12.1 Restructuring of accounts of borrowers who are willful defaulters shall be done only with the prior approval of the Board of Directors of the Bank as advised by RBI.

12.2 Restructuring of advances under the SME-DRS could be

12.2.1 without any sacrifice and without additional funding

12.2.2 without any sacrifice but accompanied with additional funding

12.2.3 with sacrifice but without any additional funding

12.2.4 with sacrifice and accompanied by additional funding

12.3 The discretionary powers for Restructuring of advances shall be as follows:

<b>Restructuring of advances under the SME-DRS</b>	<b>Where the Delegated authority for the advance granted prior to restructuring is</b>	<b>Delegated authority for restructuring</b>
With or without any sacrifice but accompanied with additional funding	Branch	Regional Head
	Regional Head	FGM / Respective GM at Head Office
	Respective sanctioning authority at Head Office	Respective sanctioning authority at Head Office
with sacrifice but without any additional funding	Branch	Regional Head
	Regional Head	FGM / Respective GM at Head Office
	Respective sanctioning authority at Head Office	Respective sanctioning authority at Head Office
with sacrifice and accompanied by additional funding	Branch	Regional Head
	Regional Head	FGM / Respective GM at Head Office
	Respective sanctioning authority at Head Office	Respective sanctioning authority at Head Office

12.4 Restructuring of advances falling under the discretionary powers of the Regional Head shall be done at Regional Office level.

12.5 Restructuring of advances falling under the discretionary powers of Head Office shall be done by the respective sanctioning authority at Head Office.

- 12.6 Restructuring of account within one year of first sanction / enhancement in WC or sanction of term loan shall also be done only with prior approval of the next higher authority.
- 12.7 All restructured accounts of a branch shall be monitored by the respective Regional Office irrespective of the sanctioning authority of the cases.
- 12.8 The discretionary powers for sanctioning additional finance in restructuring cases shall be same as applicable to general advances (i.e. taking into account the total exposure of the borrower including the additional finance to be granted).
- 12.9 Any reduction in rate of interest / concessions allowed shall be for a definite period not exceeding the restructuring period and should be subject to annual review with a view to withdraw such relief whenever possible.
- 12.10 The respective sanctioning authority can approve the reliefs / concessions upto the maximum permissible level detailed below on a case to case basis depending on the individual merits of the case **and the reliefs / concessions should not be treated as an entitlement.**

TYPE OF RELIEF / CONCESSIONS	MAXIMUM RELIEF / CONCESSIONS THAT CAN BE ALLOWED
Increase in the moratorium period already approved with justifiable reasons.	1. Total repayment period of the outstanding dues to be stipulated under the restructuring package (from the date of implementation of the restructuring) including the moratorium period shall not exceed : <ul style="list-style-type: none"> <li>➤ 7 years in the case of Micro and Small sector.</li> <li>➤ 10 years in the case of medium sector.</li> </ul> 2. The increase in the moratorium period may be allowed commensurate with the cash flow projections with justifiable reasons subject to the maximum repayment period as above.
Reschedule of the principal and /or interest for repayment.	Total repayment period of the outstanding dues to be stipulated under the restructuring package (from the date of implementation of the restructuring) including the moratorium period shall not exceed : <ul style="list-style-type: none"> <li>➤ 7 years in the case of Micro and Small sector.</li> <li>➤ 10 years in the case of medium sector.</li> </ul>

TYPE OF RELIEF / CONCESSIONS	MAXIMUM RELIEF / CONCESSIONS THAT CAN BE ALLOWED	
Reduction in rate of interest on the existing exposure of the Bank to the Borrower.	<p><u>Effective date:</u> The reduction in rate of interest may be allowed from :</p> <ul style="list-style-type: none"> <li>▪ the date of implementation of restructuring in case of standard accounts.</li> <li>▪ The date the account was classified as NPA.</li> </ul>	<p><u>Maximum reduction:</u> The reduction in rate of interest on the existing exposure of the Bank may be allowed upto minimum of the following:</p> <p>(i) Upto 4% below the applicable rate or rate being charged to the borrower.</p> <p>(ii) Up to Base Rate+0.25%.</p>
Charging of interest on simple interest basis.	<p><u>Effective date:</u> The charging of simple rate of interest may be allowed from :</p> <ul style="list-style-type: none"> <li>▪ the date of implementation of restructuring in case of standard accounts.</li> <li>▪ The date the account was classified as NPA</li> </ul> <p>However this would be subject to the condition that the simple interest would have to be serviced by the borrower at monthly intervals.</p>	
Partial/full Waiver/ refund of penal rates of interest charged.	<p><u>Effective date:</u> The waiver / refund of penal rate of interest may be allowed from :</p> <ul style="list-style-type: none"> <li>▪ In the case of SMA accounts, from the date the account was running irregular till the date of the restructuring</li> <li>▪ The date the account was classified as NPA till the date of restructuring</li> </ul>	<p><u>Maximum waiver / refund:</u> full waiver / refund of penal interest charged may be allowed for the periods as specified from the effective date.</p>
Waiver/refund of liquidated damages / service charges / legal charges partially / fully.	<p>Full waiver / refund of liquidated damages / service charges / legal charges may be allowed in NPA accounts.</p>	

TYPE OF RELIEF / CONCESSIONS	MAXIMUM RELIEF / CONCESSIONS THAT CAN BE ALLOWED	
<p>Conversion of unpaid interest / overdue interest charged into Funded interest Term Loan (FITL) to be repaid over time with / without moratorium based on the cash flow availability.</p>	<p><u>Effective date:</u> The Conversion of unpaid interest / overdue interest charged into Funded interest Term Loan (FITL) to be repaid over time with / without moratorium based on the cash flow availability may be converted from:</p> <ul style="list-style-type: none"> <li>▪ In the case of SMA accounts, from the date the interest has not been paid till the date of the restructuring</li> <li>▪ The date the account was classified as NPA till the date of restructuring</li> </ul>	<p><u>Repayment period</u> : Funded interest Term Loan (FITL) with / without moratorium arising out of conversion of unpaid interest / overdue interest charged into may be allowed to be repaid based on the cash flow availability and shall not exceed :</p> <ul style="list-style-type: none"> <li>➤ 7 years in the case of Micro and Small sector( including the moratorium period)</li> <li>➤ 10 years in the case of medium sector (including the moratorium period)</li> </ul>
<p>Conversion of overdue instalments / irregular portion of Term Loan / Working capital into working capital term loan (WCTL) to be repaid over time with / without moratorium based on the cash flow availability.</p>	<p><u>Effective date:</u> The Conversion of overdue instalments / irregular portion of Term Loan / Working capital into working capital term loan (WCTL) to be repaid over time with / without moratorium based on the cash flow availability may be converted from:</p> <ul style="list-style-type: none"> <li>▪ In the case of SMA accounts, from the date the of overdue instalments / irregularity in working capital till the date of the restructuring</li> <li>▪ The date the account was classified as NPA till the date of restructuring</li> </ul>	<p><u>Repayment period</u> : The repayment of the WCTL arising out the Conversion of overdue instalments / irregular portion of Term Loan / Working capital into working capital term loan (WCTL) (to be repaid over time with / without moratorium based on the cash flow availability) shall not exceed :</p> <ul style="list-style-type: none"> <li>➤ 7 years in the case of Micro and Small sector( including the moratorium period)</li> <li>➤ 10 years in the case of medium sector (including the moratorium period)</li> </ul>
<p>Outstanding principal and interest components are</p>	<p>This type of restructuring would be allowed by Head Office only.</p>	

converted into equity, debentures, zero coupon bonds or other instruments.	
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<b>TYPE OF RELIEF / CONCESSIONS</b>	<b>MAXIMUM RELIEF / CONCESSIONS THAT CAN BE ALLOWED</b>	
Sanction of fresh additional finance in restructured accounts	<p>Amount would be based on the discretionary powers as applicable to General advances</p> <p>The repayment period would be upto:</p> <ul style="list-style-type: none"> <li>➤ 7 years in the case of Micro and Small sector( including the moratorium period)</li> <li>➤ 10 years in the case of medium sector (including the moratorium period)</li> </ul>	<p>Fresh additional finance in restructured accounts may be granted at interest rate upto</p> <ul style="list-style-type: none"> <li>▪ 1.5% below the applicable rate or rate being charged to the borrower.</li> <li>▪ Base Rate +1.25%.</li> </ul>

**POWERS FOR GRANTING VARIOUS RELIEF AND CONCESSIONS**

Rs. In lacs

<b>SN</b>	<b>RELIEF AND CONCESSIONS</b>	<b>Regional Head</b>		<b>FGM/ GM at RO/ HO</b>	<b>ED</b>	<b>CMD</b>
		<b>AGM</b>	<b>DGM</b>			
<b>I</b>	Waiver of penal Interest	Full powers				
<b>II</b>	Waiver of processing charges and upfront fees	Full powers				
<b>III</b>	Reduction in rate of interest for existing exposure above Rs. 50000 but upto Rs. 2 lacs	2% below applicable rate	3% below applicable rate	4.75% below applicable rate	4.75% below applicable rate	4.75% below applicable rate
<b>IV</b>	Reduction in rate of interest for existing exposure above Rs. 2 lacs	Upto Base Rate+4.25%	Upto Base Rate+3.25%	Upto Base Rate+ 2.25%	Upto Base Rate+ 1.25%	Upto Base Rate+ 0.25%
		Upto Base Rate+2.75% in Small and Micro units				

SN	RELIEF AND CONCESSIONS	Regional Head		FGM/ GM RO/ HO at	ED	CMD
		AGM	DGM			
V	Reduction in rate of interest for additional exposure	Upto Base Rate+4.25%	Upto Base Rate+3.25%	Upto Base Rate+2.25%	Upto Base Rate+1.25%	Upto Base Rate+0.25%
		Upto Base Rate+2.75% in Small and Micro units				
VI	Reduction in rate of interest on FITL					
A	Units in Micro and Small sector	Upto 0%				
B	Units in medium sector	Upto Base Rate+2.25%		Upto Base Rate+1.25%	Upto Base Rate+0.25%	Upto Base Rate-0.75%
VIII	Reduction in rate of interest on WCTL					
A	Units in Micro and Small sector	Upto Base Rate+1.25%				
B	Units in medium sector	Upto Base Rate+3.25%	Upto Base Rate+2.25%	Upto Base Rate+1.25%	Upto Base Rate+0.25%	Upto Base Rate-0.75%
IX	Reduction in margin for existing and additional exposure. However a minimum margin of 15% may be ensured except in those cases/ sectors where prevailing guidelines permit lower margins. In such cases/ sectors, no further reduction in margin may be permitted. Normal margin shall have to be built up within 3 years.	By 10%	By 15%	Full powers		
X	Sanction of FITL/WCTL – As per discretionary power chart.					
XI	Reschedulement of term loans	Upto 7years		Upto 10 years		

- 2% penal interest would be charged over and above the prevailing normal term loan rate which would be applied on the amount of default for the period of default, in the event of the unit achieving the projections but defaulting in the payment of principal/ interest.
- Term premium of 0.5% shall be added to all loans having a repayment period of more than three years.
- The bank shall have a right to annually review all relief and concessions extended.
- The bank shall have the right of 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 plus sanctioned as a part of the restructuring package have been repaid.
- All interest rates to be linked to Base Rate of the bank.
- Reliefs and concessions in service charges permissible under extant guidelines may be permitted to accounts restructured under DRS for SMEs also. General Managers shall have full powers to sanction relief and concessions in the service charges.

**Management Committee of the Board may sanction relief and concessions beyond those stipulated above in deserving cases.**

### **13. Procedure**

Restructuring Cells shall be created at each Regional Office. Restructuring shall be dealt with at these cells only.

Restructuring Cell at RO shall be primarily responsible for conduct of techno-economic viability of all references under DRS for SMEs, for accounts of all branches under its jurisdiction. It shall represent the bank in all meetings in respect of DRS for SMEs both at pre-restructuring stage and post restructuring stage in respect of these accounts. Compliance of terms and conditions of the restructuring package, creation of security, monitoring of performance of the unit & implementation of the restructuring package and timely repayment of the principal and interest shall be its responsibility.

Restructuring Cell at RO shall discharge the above duties in respect of accounts under DRS for SMEs for branches. It shall also ensure timely receipt of information from RO Restructuring Cell, consolidation and submission to HO. The Cell shall compute the sacrifice to be provided for on account of restructuring and ensure provisioning thereof in terms of RBI guidelines.



## **SCENARIO “A” WHERE OUR BANK IS THE SOLE LENDER**

1. The borrower will make request for restructuring under DRS for SMEs to the branch. The request should be entered in the Proposal Receipt and Disposal Register and acknowledgement given to the borrower.
2. The branch shall examine the eligibility of the reference for restructuring under DRS for SMEs. The branch shall forward the request and the process note its Regional office alongwith his views/ recommendations.
3. Techno-economic Viability (TEV) needs to be established before proceeding with the restructuring. All cases shall be forwarded to the Regional office for assessment of viability and further action.
4. If the unit is found viable, the branch should prepare the Final Restructuring Package based on the TEV study report and submit the same to the RO/HO for sanction.

## **SCENARIO B**

### **(i) WHERE OUR BANK IS THE LARGEST LENDER**

1. The borrower will make request for restructuring under DRS for SMEs to the branch alongwith its enclosures/ documents. The request should be entered in the Proposal Receipt and Disposal Register and acknowledgement given to the borrower.
2. The branch shall examine the eligibility of the reference for restructuring under DRS for SMEs. The branch shall, immediately thereafter, send one set each to its Regional office alongwith his views/ recommendations.
3. The branch shall send a copy of the request to other lenders, informing the date of joint meeting of the lenders which shall not be later than 15 days from the date of the receipt of the request.
4. Our stand on the restructuring proposal should be finalized before the Joint meeting. The views of other lenders may be obtained in the Joint meeting.
5. The lenders shall discuss the admissibility of the reference, the reasonableness of the relief and concessions sought, the system to be adopted for establishing viability and major issues to be addressed in the same, the terms and conditions to be stipulated [in case the account is restructured]. In case of Small units, the lenders shall explore the possibility of providing of funds under National Equity Fund Scheme of SIDBI.
6. Techno-economic Viability (TEV) needs to be established before proceeding with the restructuring. Whether the TEV study is to be done by the largest lender alongwith the second largest lender in-house or through an outside agency may be decided in the joint

meeting itself. In the event of the study being conducted in-house, the RO shall associate with the second largest lender.

7. The branch alongwith the second largest lender should prepare the Final Restructuring Package based on the TEV study report and circulate the same to other lenders. Before circulating the Final Package, the branch should obtain the approval of the sanctioning authority. The other lenders should obtain the approval of their competent authority and implement the restructuring package.
8. Package would be implemented simultaneously by all the lenders simultaneously after it is sanctioned by their respective competent authorities.

**(ii) WHERE OUR BANK IS THE SECOND LARGEST LENDER**

1. The branch shall examine the eligibility of the reference for restructuring under DRS for SMEs. The branch shall, immediately thereafter, send one copy to its Regional office alongwith his views/ recommendations.
2. Our stand on the restructuring proposal should be crystallized before the Joint meeting. Our views may be conveyed in the Joint meeting.
3. Techno-economic Viability(TEV) needs to be established before proceeding with the restructuring. If the lenders decide to get the TEV study conducted in-house, Restructuring Cell at the Regional office should actively associate with the exercise.
4. The Final Package circulated by the largest lender should be put up to the competent authority for sanction of the restructuring package.

**(iii) WHERE OUR BANK IS NEITHER THE LARGEST NOR THE SECOND LARGEST LENDER**

1. The branch shall examine the eligibility of the reference for restructuring under DRS for SMEs. The branch shall, immediately thereafter, send one copy each to its Regional office alongwith his views/ recommendations.
2. Our stand on the restructuring proposal should be crystallized before the Joint meeting. Our views may be conveyed in the Joint meeting.
3. The Final Package circulated by the largest lender should be put up to the competent authority for sanction of the restructuring package.

**14 CASES WHERE BANK HAS INITIATED ACTION UNDER DRT / CIVIL SUITS / SARFESI AND CASES UNDER BIFR**

**14.1 DRT / CIVIL SUIT CASES/SARFESI**

**14.1.1** Accounts where recovery suits have been filed or action under SARFAESI Act has been initiated will generally not be considered eligible for

restructuring under DRS for SMEs. However, in exceptional cases, GM at RO/HO may permit admittance for restructuring in such cases.

#### **14.2 BIFR Cases**

**14.2.1 RBI guideline:** In respect of BIFR Cases banks should ensure completion of all formalities in seeking approval from BIFR before implementing the package.

**14.2.2 Bank's Policy:** The branch and RO shall ensure that approval from BIFR is obtained before considering and implementing package under SME-DRS.

### **15. APPROPRIATION OF RECOVERIES IN RESTRUCTURED ACCOUNT UNDER SME-DRS**

As per procedure laid down in the recovery policy of the bank

### **16 DOCUMENTATION TO BE OBTAINED IN CASES APPROVED UNDER SME-DRS**

**16.1** In the case of SMEs enjoying credit facilities upto Rs.10.00 crore under consortium / multiple banking arrangements, the Debtors Creditors agreement (DCA) and Inter Creditors agreement (ICA) as applicable to the CDR mechanism would be applicable. Since the DCA and ICA are case specific, these may be got drafted on the lines applicable to CDR mechanism. Copies of the draft DCA and ICA are enclosed.

**16.2** In the case of restructuring of debts for SME, the RBI Circular does not specify about DCA and ICA. However RBI has advised that banks may ensure that the mechanism for restructuring of debts of SMEs is simple to comprehend and will at the minimum include parameters indicated in the RBI guidelines.

**16.3** RBI while issuing the guidelines on Corporate Debt Restructuring Mechanism had advised that CDR will be a non-statutory voluntary mechanism based on Debtor-Creditor Agreement (DCA). In case of CDR borrowers enjoying facilities from multiple agencies (Banks & FIs), suitable Inter-Creditor Agreement (ICA) has also be obtained. The Debtor-Creditor Agreement (DCA) and the Inter-Creditor Agreement (ICA), where applicable, provides the legal basis to the CDR mechanism. The debtors have to execute the DCA, at the time of reference to CDR. The DCA shall have the standstill clause whereby the debtor and creditor agree to a legally binding "stand still" agreement for 90-180 days whereby both the parties commit themselves not to take recourse to any other legal action during the stand-off period to enable the progress of the debt restructuring exercise without any outside intervention judicial or otherwise. The standstill clause does not apply to any criminal action. The borrower additionally undertakes that during the standstill period the documents will stand extended for the purpose of limitation and also that he will not approach any other authority

for any other relief and the promoters/directors will not resign during the standstill period. Similarly, all participants in the CDR which are under consortium/multiple banking arrangements have to enter into a legally binding agreement (ICA) to operate the System. The ICA is case specific.

16.4 Accordingly it is proposed that for the Bank's SME-DRS, the following points may be made applicable:

16.4.1 The Bank's SME-DRS will be a non-statutory voluntary mechanism based on the agreement between the borrower and the Bank.

16.4.2 In the case of SMEs enjoying credit facilities from our bank on stand alone basis (other than consortium and multiple banking), the relative undertakings from the borrower may be made a part of the application form for Debt restructuring of SME.

16.4.3 All other documents in terms of the documentation manual as applicable to the restructured loans would be obtained by the branches.

## **17 FORMATS OF APPLICATION FORM / PROCESS NOTES FOR CASES UNDER SME-DRS**

17.1 The format of the process note to be compiled is enclosed as Annexure - III

17.2 The branches should obtain full particulars in the application along with the other prescribed papers.

17.3 Any additional information /papers specific to individual cases as Annexure – II should be obtained.

17.4 The branch shall process the case under SME-DRS and submit the full proposal to RO in for cases falling under the discretionary powers of the Branch and the Regional Head. For cases falling under the discretionary powers of HO, the branch shall submit the proposal in duplicate to RO. The RO in turn submit the same to HO with their recommendations

## **18 GENERAL TERMS AND CONDITIONS TO BE STIPULATED UNDER SME-DRS**

18.1 The bank has a right to be recompensated for the relief and concessions allowed under the restructuring package subject to annual review and the bank can charge higher rate of interest after implementation of the package, if there is improvement in cash inflow.

18.2 Accordingly while sanctioning proposals under restructuring a condition of "Right of Re-compense" clause should be stipulated in the sanction letter and other documents to the effect that when such units turn the corner and rehabilitation is successfully completed, the sacrifices undertaken by the banks should be recouped from the units out of their future profits/accruals.

**18.3** An indicative list of the TERMS AND CONDITIONS to be stipulated is listed below. The sanctioning authority may be guided by the reasons for the stress in the account to be restructured and stipulate the conditions accordingly and not in every case. Any additional conditions may be stipulated as may be applicable to the individual case.

18.3.1 Appoint Concurrent Auditors.

18.3.2 Seek assignment / hypothecation of rights that may be available to the borrower.

18.3.3 Impose embargo on incurring any capital expenditure without prior approval from the Bank.

18.3.4 Impose embargo on sale of fixed assets / investments (wherever applicable) without prior approval of the Bank.

18.3.5 Revoke the package in the event of poor performance, non compliance of terms and conditions or other events of default.

18.3.6 Impose embargo on declaring any dividend without prior written approval of the Bank.

18.3.7 Renegotiate terms of restructuring in the event of better performance than projections.

18.3.8 Impose embargo on creation of any charge or lien or escrow of future cash flows

18.3.9 Reserve the right of recompense for waiver/ sacrifices

18.3.10 Reset the fixed interest rate after every 3 years on term loans and every year on WC facilities.

18.3.11 Seek pledge of share holding of the promoters and their associates.

18.3.12 Convert entire/part of loan in event of default into equity

18.3.13 Convert sacrifices into equity

18.3.14 Create negative lien on property, shares, etc.

18.3.15 Disclose the name to RBI/CIBIL or publish in the press in the event of default

18.3.15.1.1 Insist for establishment of TRA and submission of quarterly/annual cash flows by companies.

18.3.16 Set up of Asset Sale Committee (wherever applicable)

18.3.17 Stipulate sale of non-core assets as a part of restructuring package.

18.3.18 Seek induction of promoters' contribution by way of capital or otherwise.

18.3.19 Seek Corporate Guarantee of group companies.

18.3.20 Stipulate appointment of whole-time director – Finance.

18.3.21 Appoint lenders engineers / monitoring agency.

18.3.22 Stipulate derating of equity wherever deemed necessary by the bank.

18.3.23 Stipulate change in the constitution of the Board by increasing / inducting lenders nominees.

18.3.24 Stipulate change of statutory auditors.

18.3.25 Stipulate mortgage of brands.

18.3.26 Insist for bringing back diverted funds/investments in associate companies within a time frame in cases of diversion, wherever

- possible.
- 18.3.27 Stipulate induction of strategic investor / co-promoter where the existing promoters are not in a position to induct funds for running the unit on viable lines.
- 18.3.28 Appoint independent chairman
- 18.3.29 Appoint professional CEO, where financial indiscipline is observed.
- 18.3.30 Stipulate pledge of voting rights of minimum 51% from pledged / owned shares in all cases of stress due to internal factors.
- 18.3.31 Stipulate broad basing of board in corporate accounts where deemed necessary.
- 18.3.32 Appoint nominee director/s where deemed necessary.

**The promoters to**

- (i) Provide their personal guarantee, wherever sought.
- (ii) Give an undertaking to bring in additional funds for meeting cash flow shortage.
- (iii) Agree to induct funds as proposed in the scheme.

**In case of suit filed account,**

The borrower and the Bank/other concerned lenders to file consent terms.

**19 BORROWERS COVERED BY CGTMSE COVER / ECGC COVER**

**19.1** CGTMSE vide their Circular Circular No. 6 / 2002-03 dated October 22, 2002 have advised the Banks as under:

19.1.1 In case of accounts covered under CGTMSE where rephasing/ reschedulement is required, the MLI concerned may approve the proposal and intimate to the Trust the detailed terms and conditions of rephasing. Further, if as a part of rephasing/ reschedulement **sanction of additional credit facility** to the borrower is granted (within the overall eligible credit limit of Rs. 100 lakh under CGTMSE), the MLI is required to pay to CGTMSE the guarantee fee on the additional credit facility sanctioned at the stipulated rate (presently 1.5%). However, if the account is already guaranteed for a maximum credit limit of Rs. 100 lakh, while considering rephasing / reschedulement it may be noted that no additional credit facility can be covered under CGTMSE.

19.1.2 Accordingly in cases where the account is covered under CGTMSE and reschedulement / restructuring is approved under SME-DRS, the Branch shall intimate detailed terms and conditions of the restructuring. In case any additional facility is considered the same would also be covered.

19.2 In cases where the account is covered by ECGC the terms and conditions stipulated by ECGC shall be followed in the restructuring of cases done under SME-DRS. ECGC shall be intimated with full particulars of the restructuring done.

## 20 ASSET CLASSIFICATION / PROVISIONING OF RESTRUCTURED ACCOUNTS UNDER SME-DRS

20.1 **RBI Guidelines:** The RBI guidelines as enumerated in the RBI Circular for SME Debt Restructuring and reproduced below shall be followed by the Bank.

### Prudential Norms for restructured accounts

i) Treatment of 'standard' accounts subjected to restructuring

a) A rescheduling of the instalments of principal alone, would not cause a standard asset to be classified in the sub-standard category, provided the borrower's outstanding is fully covered by tangible security. **However, the condition of tangible security may not be made applicable in cases where the outstanding is up to Rs.25 lakh, since the collateral requirement for loans up to Rs 25 lakh has been dispensed with for Small / Micro sector.**

b) A rescheduling of interest element would not cause an asset to be downgraded to sub-standard category subject to the condition that the amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved.

c) In case there is a sacrifice involved in the amount of interest in present value terms, as at (b) above, the amount of sacrifice should either be written off or provision made to the extent of the sacrifice involved.

ii) Treatment of 'sub-standard' / 'doubtful' accounts subjected to restructuring

a) A rescheduling of the instalments of principal alone, would render a 'sub-standard' / 'doubtful' asset eligible to continue in the 'sub-standard' / 'doubtful' category for the specified period ( as defined in paragraph below for upgradation of accounts), provided the borrower's outstanding is fully covered by tangible security. **However, the condition of tangible security may not be made applicable in cases where the outstanding is up to Rs.10 lakh, since the collateral requirement for loans up to Rs.10 lakh has been dispensed with for Small / Micro sector.**

b) A rescheduling of interest element would render a sub-standard / 'doubtful' asset eligible to be continued to be classified in sub-standard / 'doubtful' category for the specified period subject to the condition that

the amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved.

c) Even in cases where the sacrifice is by way of write off of the past interest dues, the asset should continue to be treated as sub-standard / 'doubtful'.

### iii) Treatment of Provision

a) Provision made towards interest sacrifice should be created by debit to Profit & Loss account and held in a distinct account. For this purpose, the future interest due as per the current Base Rate in respect of an account should be discounted to the present value at a rate appropriate to the risk category of the borrower (i.e., current Base Rate + the appropriate term premium and credit risk premium for the borrower-category) and compared with the present value of the dues expected to be received under the restructuring package, discounted on the same basis.

b) Sacrifice may be re-computed on each balance sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, so as to capture the changes in the fair value on account of changes in Base Rate, term premium and the credit category of the borrower. Consequently, banks may provide for the shortfall in provision or reverse the amount of excess provision held in the distinct account.

c) The amount of provision made for NPA, may be reversed when the account is re- classified as a 'standard asset'.

### **Additional finance**

Additional finance, if any, may be treated as 'standard asset' in all accounts viz; standard, sub-standard, and doubtful accounts, up to a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due under the approved restructuring package. If the restructured asset does not qualify for upgradation at the end of the above period, additional finance shall be placed in the same asset classification category as the restructured debt.

### **Upgradation of restructured accounts**

The sub-standard / doubtful accounts at paragraph with the heading "Prudential Norms for restructured accounts" clause (ii) (a) & (b) above, which have been subjected to restructuring, whether in respect of principal instalment or interest, by whatever modality, would be eligible to be upgraded to the standard category after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier,



falls due under the rescheduled terms, subject to satisfactory performance during the period.

#### **Asset classification status**

During the specified one-year period, the asset classification status of rescheduled accounts will not deteriorate if satisfactory performance of the account is demonstrated during the period. In case, however, the satisfactory performance during the one year period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule. The asset classification would be bank-specific based on record of recovery of each bank, as per the existing prudential norms applicable to banks.

#### **Repeated restructuring**

The special dispensation for asset classification as available in terms of paragraphs listed above under:

- Prudential norms for restructured accounts
- Additional finance
- Upgradation of restructured accounts

shall be available only when the account is restructured for the first time.

### **21. MIS**

21.1 RBI guidelines require the banks to place the quarterly performance under DRS for SMEs before their Board of Directors. It is proposed to introduce the following MIS for compliance of the same.

21.2 ROs shall compile the data of accounts restructured under DRS for SMEs for the branches under their jurisdiction and submit the same to Head Office on the proforma placed at Annexure II A on monthly basis. The statement should reach the RO and HO within 7 days of the close of the month. The statement shall be submitted in soft as well as hard copies.

21.3 The RO shall compile the quarterly data on the format placed at annexure II B for all the Branches in its jurisdiction and club the details of sanctions under DRS for SMEs and the consolidated statement shall be sent to RDRPSC Department Head Office, New Delhi so as to reach within 10 days of the close of the quarter.

### **21.4 MONITORING PROGRESS OF ACCOUNTS SANCTIONED UNDER SME-DRS**

21.4.1 Once the account is restructured under the SME-DRS, the Branch and Regional Office would closely monitor the account for adhering to the restructured terms.

21.04.2 All reliefs/ concessions would be subject to annual review depending on the performance of the unit.

21.4.2 In case the borrower does not adhere to the restructured terms reasons for the same should be ascertained by the Branch and reported to the sanctioning authority with views / recommendations for further course of action based on individual facts of the case.

## **22 REPORTING SYSTEM BY BRANCHES TO RO/HO FOR CASES APPROVED UNDER SME-DRS**

22.1 The Branches shall report to RO on quarterly basis details of cases received / sanctioned / rejected under the scheme both under RO powers and HO powers for the position as at the end of every quarter.(including the position under standard, sub-standard and doubtful category separately)

22.2 The RO shall consolidate the position of cases received / sanctioned / rejected under the scheme both under RO powers and HO powers for the position as at the end of every quarter and submit the same to SLPS department at HO. .(including the position under standard, sub-standard and doubtful category separately)

## **23 REVIEW OF THE PROGRESS UNDER BANK'S SME-DRS AND INFORMATION TO BOARD**

23.1 **RBI Guideline:** Banks may review the progress in rehabilitation and restructuring of SME accounts on a quarterly basis and keep the Board informed.

23.2 **Compliance by the Bank:** The progress report under the Bank's SME-DRS shall be placed on a quarterly basis before the Board of Directors by the RDRPSC department giving details of the No. and amount of cases received / sanctioned / rejected under the scheme both under RO powers and HO powers for the position as at the end of every quarter. (including the position under standard, sub-standard and doubtful category separately)

## **24 DISPLAY OF BANK'S SME-DRS ON ITS WEBSITE AND FORWARDING IT TO SIDBI**

24.1 **RBI Guideline:** The Debt Restructuring Scheme for SMEs should be displayed on the bank's website and also forwarded to SIDBI for placing on their web site.

24.2 **Compliance by the Bank:** All the particulars of the Banks SME-DRS as applicable for public domain shall be displayed on the bank's website and also forwarded to SIDBI for placing on their web site.

## **25 DISCLOSURES (MANDATORY) IN BANK'S PUBLISHED ACCOUNTS**

25.1 **RBI guideline:** Banks should also disclose in their published annual Balance Sheets, under "Notes on Accounts", information in respect of number and amount of advances restructured and amount of diminution in the fare value of the restructured advances as per Annexure – IV.

**Annexure I**

ORIENTAL BANK OF COMMERCE

Regional office \_\_\_\_\_

MONTHLY PROGRESS REPORT UNDER DRM for SMEs FOR -----

SN	PARTICULARS	NO -	AMT IN Rs. LACS
1	APPLICATIONS PENDING AT THE BEGINNING OF THE MONTH		
2	APPLICATIONS RECEIVED DURING THE MONTH		
3	APPLICATIONS APPROVED DURING THE MONTH		
4	APPLICATIONS PENDING AT THE END OF THE MONTH [1+2-3]		
5	ADDITIONAL EXPOSURE TAKEN		

**DETAILS OF THE BORROWERS AS SMALLSTED UNDER DRM for SMEs**

SN	NAME OF THE BORROWER	EXPOSURE BEFORE RESTRUCTURING	ADDITIONAL FINANCE

**ORIENTAL BANK OF COMMERCE**  
**BRANCH \_\_\_\_\_**

**Application for Reschedulement/Restructure of DEBT of SME (Small and Medium Enterprises) repayable to the Bank**

Date of application						
Name of applicant						
Business activity						
<b><u>Address</u></b>						
Office						
Factory						
Others						
Constitution of applicant						
Date of incorporation						
Name of proprietor/partner/director						
Name	Age	Qualification	Experience	Net Worth		
Shareholding pattern at present				Amount (Rs. in lacs) as on	%age share	
Promoters						
Associates						
Banks/institution						
Public/others						
In case borrowers is a Ltd. Co./Pvt. Ltd. Co. and shares are pledged or listed						
Details of borrowers shares pledged to anybody?			No. of shares			
			Pledgee's name			
			Pledger's name			

If listed whether under demat					
If listed market price and name of stock exchange					
Details of share capital raised (if any)					
Statutory dues outstanding					
Due to	Since when	Amount outstanding			
1.					
2.					
3.					
Present status of the unit					
1. Whether the unit is functioning (if not give details)					
2. If unit is closed (since when closed)					
3. Details of stock, work in progress, raw materials which cannot be used.					
4. Details of unrealized debtors with age of debt and possibility of recovery/amount recoverable					
5. Estimated time required to restart the unit and resources required/govt. approved required.					
6. Whether unit is sick?					
7. Labour dues pending for payment if any?					
8. Labour unrest if any?					
9. Pressing creditors position.					
10. Other important features as regards present status of unit?					
In case of export units, whether ECGC cover obtained. If yes, whether claim preferred.					
Details of Insurance					
1. Name of Insurance Co.					
2. Amount of Insurance					
3. Item Insured					
4. Insurance					
5. Loss Incurred					
Banking Arrangement: Sole / Multiple/ Syndication / Consortium _____ Details of dues to Banks, institution etc.					
Name of Bank/inst.	Type of facility	Outstanding dues			
		Principal	Interest	Others	Total

Note : Give details of overdues/out of order position with					

Present Financial Position of the Borrower (Please attach Latest copy of audited Balance Sheet alongwith all annexures & Provisional Balance Sheet not older than 3 month from the date of submission of Reschedulement Proposal)					
In case of manufacturing unit					
Present installed capacity					
Present operating capacity					
Projected operating capacity (for future period covering repayment period)					
Name of Associate/Sister concerns dues					
Name	Activity	Outstanding dues to which bank		Total amount of outstanding dues	Remarks
Details of prime/collateral securities charged to Banks/institution (if any)					
Primary security (Existing)					
Nature of prime security	Changes to	For which facilities	Value as per books	Present re value	
Collateral security (Existing)					
Details of collateral security	Charged to	For which facility and amount of facility	Market value	Present value	Remarks
Detailed reasons as to why account is to be rescheduled and restructured?  This would include when irregularity started, what went wrong, what corrective have been taken and/or are required, position of competition, what factors are under control and those beyond control etc.)					

In case existing project has been delayed and caused cost/times overrun.	
1. Original time schedule and delay.	
2. Original cost and cost overrun.	
3. Reasons for time delay	
4. Reasons for cost overrun.	
<b><u>Market prospects</u></b>	
Present :	
Future :	
Details of rescheduling/restructuring required with proper justification and following particulars :	
Type of relief :	
From which relief required :	
Amount of relief :	
Additional finance required.:	
Cost of restructuring	
1. Capital expenditure	
2. Pressing Credit	
3. payment to banks/Financial institutions	
4. Additional margin money for WC	
5. Others (specify)	
Total	
Means of finance	
1. Promoters contribution - Capital Unsecured Loan	
2. Fresh Term Loan borrowing	
3. Fresh working capital borrowing	
4. Others (specify)	
Total	
State source of margin money (specify) and when it will be brought in ?	
Additional securities offered (if any) for debt to be rescheduled position.	
Prime security	
Collateral	
Personal (Existing/Proposal)	
Name of guarantor	

Net worth		
Details of various papers enclosed		
S.No.	Particulars of papers enclosed	Remarks

Requests/Undertakings : -
1. I/we request you to reschedule/restructure our dues to the Bank as detailed in the application.
2. I/we agree to abide by all terms and conditions for rescheduling/restructuring imposed by the Bank.
3. I/we confirm that all the information furnished by us to the Bank is correct and true.
4. I/we agree to bring in additional funds for making cash flow shortage as and when requires under the restructuring package.
5. I/we confirm the validity of the documents executed by us with the Bank and acknowledge the dues and confirm correction of dues as intimated to us by the Bank.
6. I/we agree to induct funds as required by the Bank under restructuring schemes.
7. I/we agree that when the rehabilitation is successfully completed and unit turns or the sacrifices undertaken by bank/reliefs given by the Bank shall be paid back to the Bank out of my/our future profits/accruals.
8. I/we agree and understand that the reliefs/restructuring is subject to annual review and the Bank reserves the right to withdraw the relief/restructuring package and/or charge higher rate of interest (higher loan) what has been stipulated under the restructuring package shall be borne by us.
9. I/we agree to provide all required information from time to time within a week of the receipt of request.
10. I/we agree that payment of fees of consultation/advisors are required under the restructuring pack age shall be borne by us.



11. During the period the restructuring scheme is under consideration preparation or implementation, I/we shall not, without the prior consent of the Bank.

- a. Create or assume additional indebtedness.
- b. make any investments or incur any expenses or divert the funds except in the ordinary course of our business.
- c. divert the funds for purposes other than our business.
- d. Transfer, alienate or dispose of any assets (tangible or intangible) outside the ordinary course of our business.
- e. Guarantee any other person's obligations.
- f. effect material change in our arrangement set up or the composition of our Board of Directors.
- g. effect any change in our capital structure including the share holding pattern of our promoters.
- h. suffer or initiate any proceedings for the winding up or re-organisation of our affairs.
- i. create any additional charge mortgage or any other security interest in respect of our properties and other assets (including but not limited to any balance in bank accounts or receivables) same and except pursuant to our existing obligations in respect of our existing financial assistance.
- j. make any preferential payment including any debt repayment to creditors save and except the repayment of the financial assistance. as per the terms thereof.
- k. enter into any foreign exchange swap or derivative transactions except in the ordinary course of our business to cover existing commercial exposures.
- l. engage in any activity, directly or indirectly other than our existing business activities.
- m. make any payments to shareholders whether in the form of dividends, redemptions of equity, repayment of subordinated loans or otherwise.
- n. amend or modify our memorandum of association or articles of association.

12. I/we shall not commence or proceed with any legal action or proceedings against the Bank and observe a standstill position from the date of our application for restructuring and during the preparation of the restructuring scheme or its consideration by the Bank (b) the existing directors of our company shall not resign their directorship during the aforesaid period as not(a) above.

13. I/we shall not make any reference to the concerned State Govt.(s) for declaring ourself as relief undertaking or initiate any legal proceedings for winding up, merger etc. during the workout or implementation of the approved restructuring scheme without the prior approval of the Bank.

14. I/we shall execute such documents as may be required by the bank to keep the limitation period available throughout the workout and also procure the letter of confirmation a acknowledgement of liability from the guarantors for the outstanding financial assistance. extended by the Bank.

15. I/we further agree that in case we or the functionaries fail refuse or omit to provide confirmation of debt or acknowledgement of liability in respect of any claim of the Bank and as a result of which the legal remedies in respect of the debt may become barred by the law of limitation, the Bank can take such action as may be considered necessary to preserve its claim against me/us and/or the guarantors.

16. I/we agree to abide by the terms and conditions of the restructuring scheme approved by the bank.

17. I/we (i) releases, discharges, acquits and agrees to hold harmless and indemnify the Bank from any claims, suits, demands causes of action, liabilities, debts, agreements expenses obligations or damages of whatever nature, whether in contract or for or pursue to statute at law or in equity whether matured or unmatured, known or unknown, foreseen or unforeseen, including but not limited to claims, suits, demands, cause of action, liabilities debts, agreements, expenses, obligations or damages arising out of or in any way related to say action or omission on the part of the Bank.

ii) Covenants not to sue, bring, commence, prosecute, institute, maintain continue and are join in any law suit, action of law or in equity or other proceedings against are involving the bank based upon any claims, demands, liabilities, cause of action, obligations, expenses or damages arising from or in any way related to any actions or omissions of the bank

18. No suit or other legal proceedings shall lie against any offer of the bank for any loss or damages caused or likely to be caused by anything which is done in good faith omitted to be done or intended to be done in pursuance of this agreement or any loss or provision having the force of law.

19. I/we refer that during the workout or as provided under the approved restructuring package, the bank may transfer or assign in part of the whole of its outstanding financial assistance.

20. My/our undertakings as above shall remain in full force and binding on us and my/our successor and assistance from the date thereof and throughout the term of the workout and if the restructuring package is approved till such time the approved restructuring package is fully implemented.

Place

Date

Rubber stamp

authorized signatories/borrower)

(Name, Signature and

of

**ORIENTAL BANK OF COMMERCE**

Branch office \_\_\_\_\_

**PROCESS NOTE for Considering Reschedulement / Restructuring of Debt of SMALL AND MEDIUM ENTERPRISES (SMEs) under Bank's SME – DRS (DEBT RESTRUCTURING SCHEME)**

**UNDER THE DISCRETIONARY POWERS OF -----**

1. NAME OF THE BORROWER  
(Registered Office Address)

2. Constitution

3. Whether the Borrower is a wilful defaulter or not. If yes, what are reasons for wilful default.	
4. Assets Classification	
5. If the Borrower is Classified as NPA – Date of NPA	
6. Whether unit is sick	
7. Whether BIFR case	
8. Date of expiry of documents	
9. Date of last Balance Confirmation letter	
10. Whether any legal proceedings have been initiated under SARFESI ACT, if yes give details.	
11. Whether any suit filed under DRT OR Civil / criminal suit if yes give details.	
12. Whether the applicant is eligible for restructuring under Banks' SME-DRS	
13. Whether account is a case of quick mortality	

14. Date of 1 <sup>st</sup> sanction					
15. Date of last sanction & sanctioning authority					
16. Borrower's Dealing with the bank since					
17. Whether units is SMALL or ME					
18. Whether CGTSI cover is available					
19. Calculation of total dues recoverable by Bank					
20. Details of pending major inspection irregularities					
21. Details of Collateral Securities					
22. Location of unit					
23. Line of Business					
24. Industry / Sector					
25. Name of Promoters (Group, if any) and their net worth					
26. Composition of Board of Directors/ Partners					
Name	Age	Qualification	Experience	Other Directorships	<u>Financial Resourcefulness</u>
27. a) Shareholding pattern [in case of Company]				(Rs. lakh)	(%)
-Promoters					
-Associates					
-Other body corporates					
- Institutions/Banks (give details)				_____	_____
- Public/others (give details)				_____	_____
TOTAL					
b) In case of listed shares, give details of exchange, market price demat position, and the previous public issues, / rights issues/ private placement made by the company and the status of encumbrance/ pledge of shares.					

28. Brief Background of the Co.	Salient features like when incorporated, performance – Special technical features like locational/ technical/ infrastructural/plant & machinery/ utilities/ financial/ market bottlenecks, problems faced by the company, other important factors having a bearing on Co.'s performance.	
29. Banks/ Institutions involved  a) Term loans b) Working Capital c) Others TOTAL	(Rs. Lakh) <u>Sanc.</u> <u>Disb.</u> <u>O/s</u> %ge share <u>Overdues</u>  <u>Int.</u> <u>Oth.</u> <u>Total</u> <u>Prin.</u>	
<b>30. Statutory dues outstanding</b> Agency, if any i) ii) iii)	Since when	Amount o/s
<b>31. Group companies, if any</b> - 1 (Industry, location) - 2 (Industry, location) Support from/to group Cos. by way of equity/loans & advances/guarantees	Brief description of each group company including products and installed capacities, remarks on past track record, TL/ WC facility availed etc.	Past performance (last 3 years: I, II, III) Net Sales, GP, NP and Net Worth
32. Past Profit & Loss Accounts, Balance Sheets, Cash Flow Statement for last three years (for projects under implementation, furnish the Sources and uses of funds since inception)	Particulars  Capacity Utilization  Sales PBDIT	

	PAT  Capital  Reserves  Acc Losses {if any]  TCA  TCL	
33. Brief description (Including agencies involved in implementation and nature of contracts) of the existing project.		
<b>34. Project cost for projects under implementation (detailed breakup)</b> Mention reasons for overrun for each revision	(Rs. lakh) Original	(Rs. lakh) Revised
35. Means of finance for projects under implementation (detailed breakup)	Original	Revised
36. Institution/bank-wise assistance (Mention status: whether sanctioned/dispursed/etc.)	Original	Revised
37. Existing Security position a) For term lenders b) Whether created c) For WC lenders d) Whether created e) FACR (as per last audited A/cs) f) CR (as per last audited A/cs) g) Book Value of assets		
38. Whether the charge is registered with ROC (After obtaining NOC from other bank, in case on pari passu basis)		
39. In case of pari passu basis value of our Bank's share		
40. In case of Equitable Mortgage, whether valid mortgage created		

<p><b>41. Restructuring proposal in brief</b></p> <p><b>a) Reasons for irregularity in the account and/or reason necessitating for restructuring</b></p> <p><b>b) Justification for restructuring</b></p> <p><b>c) Cut-off date</b></p> <p>d) Terms of restructuring for:</p> <ul style="list-style-type: none"> <li>(i) Term lenders</li> <li>(ii) WC lenders</li> <li>(iii) Others</li> </ul> <p>e) Whether proposal involves additional finance. If yes, specify rationale behind the same and the institution/bank-wise break-up of assistance sought.</p> <p>f) Waivers [relief in past dues]for</p> <ul style="list-style-type: none"> <li>(i) Term lenders</li> <li>(ii) WC lenders</li> <li>(iii) Others</li> </ul> <p>TOTAL</p> <p>g) Sacrifices [relief in future dues] for:</p> <ul style="list-style-type: none"> <li>(i) Term lenders</li> <li>(ii) WC lenders</li> <li>(iii) Others</li> </ul> <p>TOTAL</p>	
<p><b><u>42. Cost of Restructuring scheme</u></b></p> <ul style="list-style-type: none"> <li>a) Capital expenditure</li> <li>b) Pressing creditors</li> <li>c) Upfront payment (FIs/banks)</li> <li>d) Addnl. M. M. for W.C.</li> <li>e) Others (please specify)</li> </ul> <p>TOTAL</p>	<p>(Rs. lakh)</p> <p>_____</p>
<p><b><u>43. Means of finance</u></b></p> <ul style="list-style-type: none"> <li>a) Promoters contribution <ul style="list-style-type: none"> <li>- Capital</li> <li>- Unsecured loan</li> </ul> </li> <li>b) Fresh term loans</li> <li>c) Fresh W.C. borrowing</li> <li>d) Internal accruals</li> <li>e) Others (please specify)</li> </ul>	<p>(Rs. lakh)</p>

TOTAL					
<u>44. Critical ratios</u> a) Average DSCR b) Debt-Equity Ratio c) Break-even point d) Cash Break-even point e) FACR	<u>Original</u>		<u>Revised</u>		
45. Market prospects a) Present b) Future					
46. Gross Profit envisaged vis-à-vis current industry average					
47. Projected balance sheets, P & L Account, cash flow statements and Ratio Analysis alongwith justifications. The projections should cover the proposed repayment schedule.	Attach separate sheets. [in case any study has been conducted by an outside agency, TEV study report may be enclosed]				
48. Resourcefulness of the promoters to raise additional contribution as required under DRM for SMEs (Include details/ statement of net worth of promoter group)					
<u>49. Valuation of assets of the Co. (Rs. lakh)</u>	<u>La nd</u>	<u>Bui ldin g</u>	<u>Plant &amp; M/c</u>	<u>Curren t Assets</u>	<u>Total</u>
a) Realisable value					
b) Replacement value					
c) Distress sale value					
d) Fair market value (As going concern)	<u>Tangib le Assets</u>	<u>Intangible Assets</u>		<u>Total</u>	
50. Proposed additional security					
51. Any other important factor specific to the unit					



**Annexure – IV**

**Particulars of Accounts Restructured**

(Rs. In crores)

		<b>CDR Mechanism</b>	<b>SME Debt Restructuring</b>	<b>Others</b>
Standard advances restructured	No. of Borrowers			
	Amount Outstanding			
	Sacrifice (Diminution in the fair value)			
Sub standard advances restructured	No. of Borrowers			
	Amount Outstanding			
	Sacrifice (Diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers			
	Amount Outstanding			
	Sacrifice (Diminution in the fair value)			
Total	No. of Borrowers			
	Amount Outstanding			
	Sacrifice (Diminution in the fair value)			