

FAQs

1. What is the Objective of ARM-MSME module?

Ans: GOI and RBI have come up with several measures to extend relief to MSMEs to tide over the present pressing times post COVID pandemic. One-time restructuring window under Covid Relief Package has also been announced by RBI for MSMEs in August 2020.

In this backdrop, SIDBI and its associate, ISARC (India SME Asset Reconstruction Co. Ltd.) have taken initiative to develop a web-based "Asset Restructuring Module for MSMEs (ARM-MSME)". It is an automated/ online Do-It-Yourself (DIY) web-portal for MSMEs to self-create their restructuring proposal/ financial viability projections by iteration of multiple scenarios and relief options. The restructuring proposal can be submitted online to the concerned Banks (upto 3) through this module.

The portal would also help the Banks by providing facility to rework the financial viability plan/ projections of MSME units submitted through the portal with standardized approach for timely disposal.

2. Whom this module is meant for?

Ans: This module is meant for viable¹ Micro, Small and Medium Enterprises (MSMEs) borrowers.

For loans outstanding above a certain threshold value based upon their internal guidelines, Banks may require preparation of a Techno Economic Viability (TEV) Report, which may be required to be obtained separately by the borrower.

3. Is there any cost/ fees payable to use the module?

Ans: No.

4. How to use this module?

Ans: This module has been designed as Do-It-Yourself (DIY) tool to guide the MSME user by way of User Help/ Notes provided at necessary places. However, it is advisable to first go through User Manual hosted at home page.

¹ Please refer Q. No. 24

5. Micro/ Small units may have problems in filling up the information. Is there a handholding support available for them?

Ans: Under 'Contact Us' section on the home page, following contact numbers/ email id have been provided to handhold MSMEs during usage of the portal :

- SIDBI has placed experienced Counsellors at many MSME centric locations in partnership with Industry Associations to handhold such MSMEs on pan-India basis. Their mobile number and contact details have been shared. **No fees/ charge is required to be paid by MSME to the Counsellor.**
- In case further support is required, user may write to us at the dedicated email id provided.

6. What are the documents required before starting/ preparing restructuring proposal over this portal ?

Ans: MSME user will require financial statements of past 2 years (atleast 1 immediately completed year) and details of its restructuring/ business plan to work out its financial viability plan/ business projections over the portal.

7. What are the documents required to be submitted/ uploaded at portal along with the restructuring proposal ?

Ans: Documents required may vary based on the internal guidelines of the Banks. Hence, the MSME may have to check with their dealing Bank(s) for the list of documents required to be submitted.

Indicative list of documents to be submitted to Bank along with financial viability assessment/ business projections worked out over the portal, is mentioned hereunder:

- a. Restructuring application form/ request letter in the format prescribed by Bank and duly signed by Proprietor/ all Partners/ authorised Director, etc.
- b. Last 2 years balance sheets (wherever applicable as per Statutory requirements/ Bank's instructions) of the units along with Income Tax/GST returns, etc.
- c. Sales achieved during the current financial year up to the date of submission of application/ Provisional Balance sheet as at previous quarter end.
- d. Networth Statement of Proprietor/ Partners/ Directors/ Guarantors.
- e. If additional funds are proposed to be infused by borrower, sources thereof.
- f. Details of all liabilities of the enterprise, including the liabilities owed to the State or Central Government and unsecured creditors, if any.
- g. Supporting details for the suggested remedial measures with the estimated time frame by the Enterprise to justify the action plan /solution.

8. Is MSME borrower required to submit hard copies of proposal to the Bank or upload signed soft copies to the portal will suffice?

Ans: Depends on the guidelines/policy of the dealing bank and hence, MSMEs may get in touch with the dealing bank.

9. Whether this module can be used for seeking one-time restructuring of loans announced for MSMEs by RBI (valid upto March 31, 2021)?

Ans: Yes.

Based on the framework and regulatory guidelines, each bank would have framed its policy for the restructuring of the loans that have been impacted due to the COVID-19 pandemic. MSMEs may check with the dealing bank to understand the eligibility, requirement and guidelines of the bank.

10. Who can avail benefit of retaining standard asset classification on loan restructuring ?

Ans: To support viable MSME entities on account of the fallout of Covid19, RBI circular no. DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 provides that existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification, subject to the following conditions:

- i. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed Rs.25 crore as on March 1, 2020.
- ii. The borrower's account was a 'standard asset' as on March 1, 2020.
- iii. The restructuring of the borrower account is implemented by March 31, 2021.
- iv. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.

11. Can this module be used in other restructuring cases which are not eligible for onetime RBI restructuring mentioned above?

Ans: Yes. It can also be used for general restructuring proposal of MSMEs (without benefit of retaining "Standard" classification).

12. Will opting for the restructuring package have an impact on credit bureau report of MSME ?

Ans: As per regulatory guidelines, your loan/credit facility will be reported to the credit bureau as "Restructured" by Bank.

13. Who are not eligible for loan restructuring?

Ans: Borrowers classified as fraud and wilful defaulter / non-viable units are ineligible.

14. What types of reliefs under restructuring package is getting covered in this module?

Ans: The module has provision for preparation of restructuring proposal with any of the following combination of reliefs:

- (i) additional moratorium (principal holiday)
- (ii) change in repayment instalments (with or without extension)
- (iii) regularisation of WC limit by way of enhancement or conversion of part or full WC into WCTL
- (iv) funding of overdue penal interest/interest and future interest
- (v) change in rate of interest
- (vi) additional loan

However, the MSME unit requires to check with the banks about the reliefs the unit would be eligible, which depends on various factors, viz, viability of unit, guidelines of the Bank/RBI, etc. The approval of the restructuring proposal will be credit decision of the Bank.

15. Will the restructuring proposal generated from the module be accepted by all banks?

Ans: The module has been developed considering most of the possible scenarios of restructuring and tested by some of the leading Banks to generate financial projections in standardized manner. However, as different Banks may have their own requirements & guidelines and therefore, they may ask for need based additional information/ documents, etc.

16. In case of multiple loans/credit facilities with the banks, do I have to prepare separate restructuring proposal for each of these loans?

Ans: The module has the option to prepare single restructuring proposal for all the loans of MSME unit availed from one or multiple Banks. However, initially provision has been made for online submission to maximum 3 Banks.

17. Is the module suitable for restructuring of Term Loans as well as Working Capital Limit and restructuring proposal can be prepared both for term loan lenders as well as working capital bank?

Ans: Yes. This module can be used for any combination of restructuring/ funding of interest of term loans and/ or working capital limit and their regularization, etc.

The restructuring proposal prepared over the portal can be submitted online to term lenders and/ or working capital bank simultaneously.

18. What is the maximum moratorium period that can be availed by MSMEs?

Ans: Depends on the guidelines/policy of the dealing bank and hence, MSMEs may get in touch with the dealing bank.

19. What would be the maximum extension in repayment period permitted?

Ans: Depends on the guidelines/policy of the dealing bank and hence, MSMEs may get in touch with the dealing bank.

20. What would be maximum period of funding of future interest amount on an existing loan / what would be the maximum repayment period permitted for Funded Interest Term Loan?

Ans: Depends on the guidelines/policy of the dealing bank and hence, MSMEs may get in touch with the dealing bank.

21. Can this module be used for requesting the bank for reschedulement by way of change of principal instalments with/ without any moratorium?

Ans: Yes. This module can be used for any combination of reschedulement, viz, additional moratorium and/or change of principal instalments, etc.

22. Can this module be used for additional loans?

Ans: Yes. As part of restructuring, MSMEs can apply for additional funding also, if required. However, bank based on their internal guidelines, viability of the project/unit, availability of security margin, etc., would decide whether to consider the request for additional finance or not.

23. Once the restructuring proposal is submitted, is there a provision to modify the application/projections?

Ans: The proposal once submitted to Bank online through the module, cannot be modified. However, if required, MSME may submit a fresh restructuring proposal as per the guidance of its Bank.

24. How to make the profitability/future projection more acceptable to bank?

Ans: Validation of the financial projections/ viability assessment of unit, is one of the most critical factors for acceptability of restructuring proposal and is a credit decision of the dealing Bank as per its guidelines. Therefore, the profitability projections/

assumptions should be realistic and in line with past performance, present and future prospects of business, etc.

The lending institutions generally check financial parameters covering aspects related to debt serviceability, liquidity, leverage, etc. (viz., DSCR², Current Ratio, TOL/TNW³, DER⁴ etc.) in the business projections submitted. Generally, current ratio and DSCR as 1.0 and above and Average DSCR as 1.2 and above for the projected years may be acceptable to lenders. However, acceptable level shall depend on the guidelines/policy of the dealing bank and hence, MSMEs may get in touch with the dealing bank.

25. Will the restructuring application submitted thorough this module be automatically approved by the bank?

Ans: No. The bank(s) would carry out their own assessment to check the viability of the unit, the profitability assumptions and adherence to the guidelines/benchmarks. If the proposal is found viable and are meeting the guidelines of the bank, the restructuring proposal would be considered by the bank.

Notes:

1. *Last updated on Nov. 29, 2020*
2. *For further updates on Restructuring Guidelines, you may visit RBI / your Bank's website.*

² Debt Service Coverage Ratio

³ Total Outside Liabilities/ Tangible Net Worth

⁴ Debt to Equity Ratio