

December 2024

Policy Framework for Micro, Small and Medium Enterprises (MSME)

1. Background and Objective

The policy seeks to establish the framework that would be followed by the Bank in determining lending norms to Micro, Small and Medium Enterprises ('MSME') in compliance with the Reserve Bank of India guidelines vide RBI/FIDD/2017-2018/56 Master Direction FIDD. MSME & NFS.12/06.02.31/2017-18 dated July 24, 2017 as updated from time to time.

2. Definitions

Definitions for Micro, Small and Medium enterprises shall be referred as available from Udyam website. All the MSME enterprises are required to register online on the Udyam Registration portal and obtain an 'Udyam Registration Certificate', which shall be kept on records by the Bank.

Visit UDYAM portal on <https://udyamregistration.gov.in/Government-India/Ministry-MSME-registration.htm>.

3. Effective Date / Transition Period

These guidelines are effective immediately and reviewed as per the revisions in RBI regulations or Bank's internal policies.

4. Exception Process

Any changes/ exceptions to this Policy except those regulatory in nature must be approved by the competent authority defined as per internal processes of the Bank.

5. General Guidelines

5.1. Types of Loans

MSME Units may be granted a variety of Credit facilities for their different needs (subject to satisfactory credit assessment by the Bank) which will include Term Loan, Working capital demand loan, Bank Guarantees, Letter of credit, Foreign exchange etc.

5.2. Framework

Loans/facilities are sanctioned on the basis of established underwriting criteria that are detailed in the internal / local credit policy manual of the various businesses that contribute towards the MSME segment in the Bank. These policies are based on the Bank's experience of credit performance of its existing portfolio. Further all policies are periodically reviewed and approved by competent authority of the Bank.

5.3 COMMON GUIDELINES FOR LENDING TO MSME SECTOR

5.3.1 Processing of requests:

For credit limit up to `25 lakh - within 14 working days, credit limit above `25 lakh - within 45 Calendar days from the date of receipt, provided the loan request is complete in all respects and is accompanied by documents as per Information requested by the Bank.

5.3.2 Sanction

- a) Working capital limits/Term Loan limits and eligibility will be computed basis internal policies of the Bank
- b) The sanction letter to include Most Important Terms and Conditions along with key fact statement governing the loan / credit facility as applicable.

5.3.3 Credit Assessment

Credit assessment shall be completed basis Bank's Internal Policies which shall include financial trending, borrower's ability to service the interest and repay the loan, security/ collateral as applicable, track record of conduct on previous loans, Credit bureau checks and market reference checks

5.3.4 Repayment

In case of fixed rate loans of less than Rs. 50 lakhs, No pre-payment penalty. In case of floating rate loans, all loans will be prepaid on the reset date regardless of amount.

5.3.5 Pricing

The pricing for lending products is based on various parameters like risk profile of the customer, type of product, income profile etc. the Bank has a Board approved policy on Interest rate on advances and same would be adhered for MSME Segment. At the time of submitting facility application form, the request letter includes the annualized rates of interest and the fees / charges, if any.

6. Grievance Redress Process

The Bank has a Grievance Redressal mechanism for all customers in place where any complaints received from MSME customers are also monitored and resolved.