



यूको बैंक/UCO BANK  
प्रधान कार्यालय/Head Office

सूक्ष्म, लघु और मध्यम उद्यम विभाग/MSME Department

# MSME POLICY FOR FY 2025-26



## Policy Document Control Information

Document Name	MSME Policy 2025-26
Owned By	MSME Department
Reviewed By	Risk Management Committee of the Board
Approved By	Board of Directors
Frequency of Review	Annual

## Policy Version Control

SI No	Version Number	Cleared by CRMC	Reviewed by RMCB	Approved by Board of Directors
1	2025-26_1.0	20/03/2025	27/03/2025	28/03/2025



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## CHAPTER 1

### POLICY GUIDELINES ON MSME

#### 1. POLICY OVERVIEW

Micro, Small and Medium Enterprise (MSME) sector has emerged as an important sector of the Indian economy, contributing significantly to employment generation, innovation, exports and inclusive growth of the economy. The MSMED Act, 2006, was enacted to provide enabling policy environment for promotion and development of the sector by way of defining MSMEs, putting in place a framework for developing and enhancing competitiveness of MSME enterprises and ensuring flow of credit to the sector. However, in the changed circumstances, it is imperative that the thrust should be given for market facilitation and promoting ease of doing business for MSMEs. The MSME sector is a vital pillar of Aatmanirbhar Bharat Abhiyaan of the Government.

#### 1.1 POLICY DETAILS

##### 1.1.1 BACKGROUND

Bank has designed a separate policy document for MSME Advances, to have a standardized approach towards the MSMEs and have a reference document to one and all dealing with MSME matters.

This is a formal policy document mentioning therein Bank's role and approach for meeting the need of MSME customers. Lending to MSMEs being an integral part of MSMED Act and Priority Sector Lending guidelines of Reserve Bank of India (RBI) is also discussed in the policy, wherever applicable.

##### 1.1.2 OBJECTIVE

- To describe MSME sector and its classification.
- To lay down guidelines for assessment of credit to MSME units.
- To make available adequate and hassle-free credit facilities to MSME enterprises.
- To achieve various growth parameters prescribed for MSME sector.
- To comply with RBI/Government of India guidelines and instructions on MSME financing.
- To give more thrust to Micro, Small and Medium Enterprises.
- To improve flow of credit to MSME Sector.
- To list out different products available for MSME.
- To introduce different MSME Schemes with liberal norms, to ensure availability of adequate and timely credit to MSME.
- To adhere to the Code of Bank's Commitment to Micro and Small Enterprises, 2015.

##### 1.1.3 SCOPE AND APPLICABILITY

MSME Policy guidelines will deal with all MSME credit related matters such as Fund Based, Non-Fund Based and other form of credit dispensation of MSME credit.

Since most of the credit related guidelines have been detailed in the Bank's Loan Policy Document, hence those guidelines have not been covered in the MSME Policy to avoid



duplication, barring some important aspects. Hence, the guidelines on MSME should be read along with the Loan Policy Document in vogue and as amended from time to time.

This policy guidelines have been made in compliance with all RBI and extant regulatory guidelines issued till date.

The guidelines enumerated in this policy are applicable for all domestic Branches/Offices.

## 1.2 IDENTIFYING THRUST INDUSTRIES

Loans given to enterprises engaged in providing or rendering of services in general including the followings

- 1) Small Road and Water Transport Operators
- 2) Small Business
- 3) Professional and Self-employed persons and other service enterprises engaged in activities, viz
  - Consultancy Services including management services
  - Composite Broking Services in risk and insurance management
  - Third Party Administration (TPA) services for medical insurance claims of policy holders
  - Seed grading services
  - Training-cum-Incubator centre
  - Educational Institutions
  - Training Institutes
  - Retail Trade
  - Practice of Law i.e. legal services
  - Trading in medical instruments (brand new)
  - Advertising Agency and Training Centres, etc.
- 4) Sanitation Services (Hiring of Septic tank cleaner)
- 5) Clinical/Pathological Laboratories
- 6) Agri-clinic and agri-business
- 7) Restaurant with Bar
- 8) Canteens
- 9) Hotels
- 10) Motel Industry
- 11) Photo copying Centres
- 12) Auto Repairs Services and Garages
- 13) Laundry and Dry cleaning
- 14) Tailoring
- 15) EDP institutes established by voluntary association/non-government organisation
- 16) Beauty Parlours and Creches
- 17) Renting of Agriculture Machinery (Harvesting), etc





## **1.3 GUIDELINES FOR MSME CLUSTER FINANCING**

### **1.3.1 Introduction**

The Ministry of Micro, Small and Medium Enterprises (MoMSME), Government of India (GoI) has adopted Cluster Development Program as a key strategy for enhancing productivity and competitiveness of MSMEs in the country.

Cluster based approach for financing MSME unit is expected to result in less transaction cost and risk mitigation.

A full-service approach to cater diverse needs of MSMEs may be achieved through extending banking services to recognized MSME clusters by adopting 4-C approach namely Customer Focus, Cost Control, Cross Selling and Contain Risk.

A Cluster based approach for lending may be more beneficial

- i) In dealing with well-defined and recognized groups
- ii) Availability of appropriate information for risk assessment
- iii) Monitoring by the lending institution

### **1.3.2 Characteristics of Cluster**

A cluster is a group of enterprises located within an identifiable and as far as practicable contiguous area or a value chain that goes beyond a geographical area and producing same/similar products/complementary products/services, which can be linked together by common physical infrastructure facilities that help address their common challenges.

The essential characteristics of enterprises in a cluster are

- (a) Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control.
- (b) Similar level of technology and marketing strategies/practices.
- (c) Similar channels for communication among members of cluster.
- (d) Common market and skill needs.
- (e) Common challenges and opportunities that cluster faces.

### **1.3.3 UNIDO Identified MSME Clusters**

Bank will consider 388 MSME clusters, as identified by United Nations Industrial Development Organization (UNIDO) across India for MSME cluster financing. Any MSME cluster identified subsequently by UNIDO or Any other Organization authorized by Government of India will automatically become eligible for financing under MSME cluster financing.

Tagging of Branches with particular cluster will depend on geographical location of UNIDO identified MSME Cluster and also keeping in mind the recommendation of concerned Zonal Office within which Branches are located.

### **1.3.4 Eligible Customer**

Individual, Proprietorship Firm, Partnership Firm, Limited Liability Partnership, Joint Venture, Private/Public Limited Company, HUF, Society, Trust, Institution, Association having Udyam



Registration Number (Mandatory) and GST registration (if applicable) can avail credit facility under Cluster Financing Scheme.

### 1.3.5 Other Salient Features

- FB/NFB facility will be extended under Cluster Financing Scheme with minimum 40% security coverage (charge by way of mortgage should be created on immovable security i.e. land and building offered as primary/collateral security or on any other liquid security) or CGTMSE coverage or Hybrid Security Product of CGTMSE.
- Credit Risk Management Committee (CRMC) will be the competent authority to approve product for a particular cluster.
- CRMC will be empowered to allow relaxation up to 25% under different parameters, as defined in Bank's Loan Policy Document in vogue, while approving cluster specific product along with approval for entering into MoU/Tie-up, as required.
- HLCC-GM will be empowered to allow relaxation in service charges up to 75% for loan sanctioned under cluster specific product.
- Delegated power to HLCC-GM/HLCC-ED/CAC will be defined while developing cluster specific scheme.

### 1.4 Handling of MSME Proposals

- 1) In case of Schematic MSME Loans, extant Scheme guidelines to be followed. Wherever, the Scheme guidelines are silent, extant MSME Policy/Loan Policy Document guidelines to be followed.
- 2) In case of Non-Schematic Loans, MSME Policy to be followed. Wherever, the MSME Policy is silent, extant Loan Policy Document guidelines to be followed.
- 3) MSME lending guidelines modified from time to time will be considered while handling MSME proposals.
- 4) In case of modifications in Loan Policy Document impacting MSME loans, such modifications to be considered accordingly while handling MSME proposals.





## CHAPTER 2

### MSME CLASSIFICATION

Ministry of MSME vide Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), No. 1532 dated 01/06/20 has revised the definition of Micro, Small and Medium Enterprises to give them the confidence to grow. Under the new definition of MSMEs

- The distinction between Manufacturing and Services Enterprises has been eliminated.
- The investment criteria for such enterprises have been revised upwards, while an additional criterion of turnover has been introduced.

Enterprises	Amt in ₹ Crore			
	Investment in Plant and Machinery or Equipment		Annual Turnover	
	Current	Revised	Current	Revised
Micro	1	2.5	5	10
Small	10	25	50	100
Medium	50	125	250	500

[Ref: Ministry of Micro, Small and Medium Enterprises (MoMSME), Government of India, vide The Gazette of India, Extraordinary, Part-II, Section-3, sub-section (ii), notification number S.O. 1364 (E) dated 21/03/2025]

- This notification shall come into force with effect from 01/04/2025.

Further, Ministry of MSME and RBI have notified certain guidelines/clarifications regarding classification of enterprises as Micro, Small and Medium Enterprises and specifies the form and procedure for filing Udyam Registration with effect from 01/07/2020 as detailed hereunder.

#### • **Becoming a Micro, Small or Medium Enterprise**

- ❖ Any person who intends to establish a Micro, Small or Medium Enterprise may file Udyam Registration online in the Udyam Registration Portal, based on self-declaration with no requirement to upload documents, papers, certificates or proof.
- ❖ On registration, an enterprise (referred to as "Udyam" in the Udyam Registration Portal) will be assigned a permanent identity number to be known as "Udyam Registration Number".
- ❖ An e-certificate, namely, "Udyam Registration Certificate" shall be issued on completion of the registration process.
- ❖ All MSME entrepreneurs are required to register online on the Udyam Registration Portal and obtain "Udyam Registration Certificate". For Priority Sector Lending (PSL) purposes Banks shall be guided by the classification recorded in the Udyam Registration Certificate (URC).

[Ref: RBI Circular No. FIDD.MSME & NFS.BC.No.13/06.02.31/2023-24 dated 28/12/2023]

- ❖ Informal Micro Enterprises (IMEs) can be formalized by registering under Udyam Assist Platform (UAP) to become eligible for getting financial assistance from lending institutions





under Priority Sector Lending by obtaining Udyam Assist Certificate and Udyam Registration Number.

[Ref: RBI Circular No. FIDD.MSME & NFS.BC.No.09/06.02.31/2023-24 dated May 09, 2023 and Bank Circular No. CHO/MSME/12/2023-24 dated 16/05/2023]

• **Composite criteria of Investment and Turnover for classification**

- ❖ A composite criterion of investment and turnover shall apply for classification of an enterprise as Micro, Small or Medium.
- ❖ 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 but 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.
- ❖ All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as Micro, Small or Medium Enterprise.

• **Calculation of Investment in Plant and Machinery or Equipment**

- ❖ The calculation of investment in Plant and Machinery or Equipment will be linked to the Income Tax Return (ITR) of the previous year's filed under the Income Tax Act, 1961.
- ❖ In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
- ❖ The expression "Plant and Machinery or Equipment" of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
- ❖ The purchase (invoice) value of a Plant and Machinery or Equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
- ❖ The cost of certain items specified in the Explanation-I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.
- ❖ The value of Plant and Machinery or Equipment 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, which was applicable in the context of the earlier classification criteria.

• **Calculation of Turnover**

- ❖ Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether Micro, Small or Medium, for the purposes of classification.
- ❖ Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.





❖ The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

• **Amendment regarding Time Period up to which MSME can avail all non-tax benefits of the category (Micro or Small or Medium)**

Ministry of Micro, Small and Medium Enterprises (MoMSME) vide Gazette Notification No. S.O.4926 (E) dated 18/10/2022 has notified further amendment in earlier Gazette Notification No. S.O.2119 (E) dated 26/06/2020 wherein sub-paragraph (5) of paragraph 8 has been substituted as under

"(5) In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise shall continue to avail of all non-tax benefits of the category (micro or small or medium) it was in before the re-classification, for a period of 3 years from the date of such upward change".

### References

- Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), S.O.No. 1702(E) dated 01/06/2020.
- Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), S.O.No. 2119(E) dated 26/06/2020.
- RBI Circular No. FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated 02/07/2020.
- RBI Circular No. FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated 21/08/2020.
- Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), S.O.No. 4926(E) dated 18/10/2022.
- RBI Circular No. FIDD.MSME & NFS.BC.No.13/06.02.31/2023-24 dated 28/12/2023.

### Registration Process

- ❖ The form for registration shall be as provided in the Udyam Registration Portal.
- ❖ There will be no fee for filing Udyam Registration.
- ❖ Aadhaar Number shall be required for Udyam Registration.
- ❖ The Aadhaar Number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).
- ❖ In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar Number.
- ❖ In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.
- ❖ No enterprise shall file more than one Udyam Registration: Provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.
- ❖ Whoever intentionally misrepresents or attempts to suppress the self-declared facts and figures appearing in the Udyam Registration or updation process shall be liable to such penalty as specified under section 27 of the Act.





## References

- 1) Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), No. 1532 dated 01<sup>st</sup> June 2020.
- 2) Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), No. 1875 dated 26/06/2020.
- 3) RBI Circular No. FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated 02/07/2020.
- 4) RBI Circular No. FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated 21/08/2020.
- 5) Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii) vide number S.O. 2119 (E), dated the 26<sup>th</sup> June, 2020 and subsequently amended vide S.O. 4926 (E), dated the 18<sup>th</sup> October, 2022.



## CHAPTER 3

### TARGET AND COMPOSITION OF MSME SECTOR

#### 3.1 TARGET

Advances to Micro, Small and Medium Enterprises (MSMEs) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40% of Adjusted Net Bank Credit (ANBC) or Credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, as per the extant guidelines on priority sector lending.

Domestic Commercial Banks and Foreign Banks with 20 Branches and above are required to achieve a sub-target of 7.50% of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Micro Enterprises.

[Ref: RBI Master Directions FIDD.CO.PSD.BC.13/04.09.001/2024-25 dated 24/03/2025]

However, in terms of the recommendations of the Prime Minister's Task Force on MSEs, Banks are advised to achieve

- i) 20% year-on-year growth in credit to micro and small enterprises.
- ii) 10% annual growth in the number of micro enterprise accounts.
- iii) 60% of total lending to MSE sector as on preceding March 31st to Micro Enterprises.

[Ref: RBI Circular No. RBI/FIDD/2017-2018/56 dated 24/07/2017 updated as on 25/04/2018 Chapter-III (Point No. 3.1 to 3.3)].

#### 3.2 COMPOSITION ~ RBI GUIDELINES

The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with Circular No. FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 and FIDD.MSME & NFS. BC. No.4/06.02.31/2020-21 dated July 2, 2020 and August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. Further, such MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services. All Bank loans to MSMEs conforming to the above guidelines qualify for classification under priority sector lending.

##### A. Factoring Transactions

- i) 'With Recourse' Factoring transactions by Banks which carry out the business of factoring departmentally wherever the 'assignor' is a Micro, Small or Medium Enterprise would be eligible for classification under MSME category on the reporting dates.
- ii) In terms of paragraph 9 of Circular DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015 on 'Provision of Factoring Services by Banks-Review', inter-alia, the borrower's Bank shall obtain from the borrower, periodical certificates regarding factored receivables to avoid double financing/counting. Further, the 'factors' must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned, taking responsibility to avoid double financing.
- iii) Factoring transactions pertaining to MSMEs taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector.





## B. Khadi and Village Industries Sector (KVI)

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.50% prescribed for Micro Enterprises under Priority Sector.

## C. Other Finance to MSMEs

- i) Loans up to ₹50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that confirm to the definition of MSME.
- ii) Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries. In respect of UCBs, the term "entities" shall not include institutions to which UCBs are not permitted to lend under the RBI guidelines/the legal framework governing their functioning.
- iii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.
- iv) Loans sanctioned by Banks to NBFC-MFIs and other MFIs (Societies, Trusts, etc) which are members of RBI recognised SRO for the sector for on-lending to MSME sector as per the conditions specified in paragraph 21 of these Master Directions.
- v) Loans to registered NBFCs (other than MFIs) for on-lending to Micro and Small Enterprises as per conditions specified in para 22 of these Master Directions.
- vi) Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card and Weaver's Card, etc in existence and catering to the non-farm entrepreneurial credit needs of individuals).
- vii) Overdraft to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time, will qualify as achievement of the target for lending to Micro Enterprises.
- viii) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

[Ref: RBI Circular No. RBI/FIDD/2020-21/72 Master Directions FIDD.CO.PSD.BC.13/04.09.001/2024-25 dated 24/03/2025]

## D. Retail and Wholesale Trade as MSMEs

Ministry of Micro, Small and Medium Enterprises vide Office Memorandum (OM) No. 5/2(2)/2021-E/P & G/Policy dated 02/07/2021 has decided to include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending and they would be allowed to be registered on Udyam Registration Portal for the following NIC Codes and activities mentioned against them

45	Wholesale and retail trade and repair of motor vehicles and motorcycles
46	Wholesale trade except of motor vehicles and motorcycles
47	Retail trade except of motor vehicles and motorcycles

The enterprises having Udyog Aadhaar Memorandum (UAM) under above three NIC Codes are now allowed to migrate to Udyam Registration Portal or file Udyam Registration afresh.

[Ref: RBI Notification No. FIDD.MSME & NFS.BC.No.13/06.02.31/2021-22 dated 07/07/2021]





## E. Operational Guidelines for TReDS Business

### 1) Background

Micro, Small and Medium Enterprises (MSMEs), despite the important role played by them in the country, continue to face constraints in availing finance, particularly in terms of their ability to convert trade receivables into liquid funds. In order to address the issue, guidelines have been issued for setting up and operating Trade Receivables Discounting System (TReDS) to facilitate financing of trade receivables of MSMEs on a digital platform in the country. These Guidelines are issued by Reserve Bank of India under Section 10(2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

On TReDS platforms multiple financiers bid for discounting of invoices, raised by MSME sellers and accepted by corporate buyers or vice-versa, through an auction mechanism.

### 2) Scheme

The scheme for setting up and operating institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers is known as "**Trade Receivables Discounting System**" (TReDS).

The TReDS platforms will facilitate discounting of both invoices as well as bills of exchange. Further, as the underlying entities are the same (MSMEs, corporate and other buyers, including Government Departments and PSUs), TReDS platforms could deal with both receivables factoring as well as reverse factoring so that higher transaction volumes come into the system and facilitate better pricing.

The transactions processed under TReDS will be "without recourse" to the MSMEs.

### 3) Definitions

**Factoring Unit:** A standard nomenclature used in the TReDS for an invoice or a bill on the system. Factoring Units may be created either by the MSME seller (in the case of factoring) or by corporate and other buyers, including Government Departments and PSUs (in case of reverse factoring) as the case may be.

**Financier:** Refers to Banks, NBFC Factors and other financial institutions as permitted by the Reserve Bank of India participating in the TReDS and accepting the factoring unit for financing purpose.

### 4) Participants

MSME sellers, corporate and other buyers, including Government Departments and PSUs and financiers (Banks, NBFC Factors and other financial institutions as permitted by the Reserve Bank of India) will be direct participants in the TReDS. TReDS will provide the platform to bring these participants together for facilitating uploading, accepting, discounting, trading and settlement of the invoices/bills of MSMEs. Bankers of sellers and buyers may be provided access to the system, where necessary, for obtaining information on the portfolio of discounted invoices/bills of respective clients. TReDS platforms may tie-up with necessary technology providers, system integrators and entities providing dematerialisation services for providing its services.

RBI vide notification dated 08.02.2023 and 07.06.2023 has expanded the scope of activity on TReDS platforms in which it has allowed insurance facility for invoice financing. This will





encourage financing/discounting of payables of buyers irrespective of their credit ratings. Accordingly, insurance companies will be permitted to participate as a "fourth participant" on TReDS platforms, apart from the MSME sellers, buyers and financiers.

#### 5) On-boarding of Participants

All participants (Buyer/Seller/Financer) need to register on TReDS platforms.

As per RBI guidelines, TReDS platforms would put in place a standardized mechanism/process for on-boarding of buyers and sellers on its platforms. This one-time on-boarding process will require the entities (i.e. buyers and sellers) to submit all KYC related documents to the TReDS platforms, along with resolutions/documents specific to authorized personnel of the buyer and the MSME seller. Such authorized personnel would be provided with IDs/Passwords for TReDS authorizations (multi-level). Indemnity in favor of TReDS platforms, if required, may also be given if it is made part of the standardized on-boarding process.

The KYC documentation and its process may be standardized and disclosed to all stakeholders by TReDS platforms. As it requires confirmation of the Banker of the MSME seller/buyer, as the case may be, the KYC documentation may be synchronous with the documentation/verification done by the Banks in adherence to the extant regulatory requirements [Reserve Bank of India's "Master Direction - Know Your Customer (KYC) Direction, 2016" dated February 25, 2016 (as amended from time to time)].

#### 6) TReDS Platforms

At present there are five (5) RBI approved operational TReDS platforms, namely

(a) **A-TReDS ~ Invoicemart**

(Joint Venture of Axis Bank and mjunction)

(b) **Receivables Exchange of India Ltd (RXIL)**

[Joint Venture of NSE Strategic Investment Corporation Limited (NSICL) and SIDBI]

(c) **MIXchange**

(Mynd Solutions Venture)

(d) **C2treds**

(C2FO Factoring Solutions Private Limited)

(e) **DTX (Domestic Trade Exchange)**

(KredX)

Bank has already joined the three platforms namely A-TReDS ~ Invoicemart, RXIL and MIXchange. Further, Bank may join new platform C2treds and DTX depending on business opportunity.

#### 7) Process flow and procedure

RBI vide its notification on Guidelines for the Trade Receivables Discounting System (TReDS) updated as on July 2, 2018 has outlined the process flow and procedure for entities operating TReDS platforms. Further it has also outlined about agreements to be drawn up amongst the participants in the TReDS.



## 8) Settlement Process

RBI vide its notification on 'Guidelines for the Trade Receivables Discounting System (TReDS)' updated as on July 2, 2018 has drawn up process for TReDS platforms with respect to timely settlement of fund.

## 9) Regulatory framework for TReDS

The TReDS, which undertakes clearing and settlement activities, would be governed by the regulatory framework put in place by the Reserve Bank of India under the Payment and Settlement Systems Act 2007 (PSS Act). It will function as an authorised payment system under the PSS Act 2007. The activities of the TReDS as well as those of the participants in the TReDS would be governed by the relevant legal and regulatory provisions applicable to various stakeholders in the system. As such, the processes and procedures of the TReDS should be compliant with such legal and regulatory provisions which may be issued and amended from time to time by respective authorities.

## 10) Bank's TReDS Exposure

TReDS exposure will be treated within the purview of Bank's group exposure norms on the borrower/buyer.

Bank's present TReDS approved limit is ₹4000 Crore.

RBI vide its letter no. 6361/21.04.048/2019-20 dated 07/02/2020 addressed to Indian Banks' Association has stated that the exposure of the financiers under TReDS platform shall be treated as unsecured exposure.

## 11) Rating

Long Term External Credit Rating of the buyer to be considered for taking exposure as well as for interest rate fixation. Minimum external rating should be the long term external credit rating of "A". However, Bank's existing borrower with external rating of "BBB" not classified as SMA-1/SMA-2/NPA in last one year is allowed for TReDS exposure.

In case of Central Government Department/Ministry/Maharatna/Navratna/Miniratna and Other PSUs/State Government Department/Ministry/State Government PSUs, external credit rating is not required.

## 12) Turnover threshold limit for onboarding on TReDS platforms

Turnover threshold limit for onboarding of all companies registered under the Companies Act, 2013 (18 of 2013) with a turnover of more than ₹250 Crore (Rupees Two Hundred and Fifty Crore) and all Central Public Sector Enterprises (CPSEs) shall be required to get themselves onboarded on the Trade Receivables Discounting System (TReDS) platforms.





### Illustrative list of MSME Loan Products

SI No	General Product Name
1	UCO Trader
2	UCO Udyog Bandhu
3	UCO Vyapaar Samridhi
4	UCO General Credit Card
5	UCO Sanjeevani Plus
6	UCO CA Loan
7	UCO Bunker Rin Yojana
8	UCO E-Rickshaw
9	Two-Wheeler under Mudra
10	Standby Line of Credit
11	UCO Sanjeevani
12	UCO Aarogyam
13	UCO GST Mitra
14	UCO MSME Gold Loan
15	UCO Contractor
16	MSME Property Loan
17	UCO Textile
18	UCO Equipment Finance
19	UCO Start-Up
20	UCO Vahan
21	UCO e-Vahan
22	UCO Arhatiyas
23	UCO Rice Sheller
24	UCO MSME Office
25	UCO Abhinandan
26	Merchant Credit Card
27	PM Vishwakarma
28	UCO Trade Advantage
29	UCO MSME Nari Samman
30	UCO MSME Yuva Shakti
31	UCO PM Surya Ghar Vyaapar Yojana



SI No	Cluster Product Name
1	UCO Pharma Growth
2	UCO Ceramic Cluster
3	UCO Hospitality Plus
4	UCO Automotive Component Manufacturer
5	UCO Iron and Steel Cluster Finance

SI No	Digital Product Name
1	STP Shishu Mudra
2	UCO GST Smart Finance
3	Digital Renewal up to ₹10 Lacs
4	MSME Smart Finance up to ₹25 Lacs

SI No	Supply Chain
1	UCO Supply Chain Finance



## CHAPTER 4

### COMMON GUIDELINES FOR LENDING TO MSMEs

#### 4.1 DISPOSAL OF LOAN APPLICATIONS

##### A) Loan Application

- Common Application for MSME Loan up to ₹200 Lacs\*/As per Manual of Instructions/MSME Scheme guidelines.
- For loan above ₹200 Lacs: As per Manual of Instructions/MSME Scheme guidelines.  
(\*Ref: CHO/MSME/03/2017-18 dated 04/05/2017)

- Loan can also be applied by MSME customers through online portal  
<https://psbloansin59minutes.com>  
<https://jansamarth.in>  
<https://kviconline.gov.in>  
<https://portal.udyamimitra.in>  
<https://pmvishwakarma.gov.in>

##### B) Issue of Acknowledgement of Loan Applications

Each branch will issue an acknowledgement for loan applications received from the borrowers towards financing under MSME sector and maintain the record of the same.

##### C) Timelines for Credit Decisions

Bank is pursuing RBI guidelines and Board approved guidelines prescribed in Loan Policy Document 2024-25 regarding timelines for credit decisions. The timelines prescribed are as follows

- All applications of MSE borrowers for loans up to ₹25 lakh within 14 working days;
- For loans above the aforementioned limit, timelines shall be as per the Board approved sanction time norms, which is as under

Level of Sanctioning Authority	Time Limit
Approval granted by Branch Manager	Within 30 days
Approval to be granted by Hubs/other processing Centre	Within 15 days
Approval to be granted by ZLCC	Within 45 days
Approval to be granted by HLCC-GM/HLCC-ED/CAC	Within 60 days
Approval to be granted by MCB	Within 90 days

- Above time limit will be counted from the date of receipt of complete proposal.
- This time limit is the maximum time within which the loan application is to be disposed of. Scheme or segment specific time limit fixed/to be fixed by the Bank shall continue subject to the above maximum time limit.

##### D) Register of Receipt/Sanction/Rejection of Applications

- A register should be maintained at branch wherein the date of receipt, sanction/disbursement, rejection with reasons, should be recorded. The register





should be made available to facilitate verification by the Bank's officials including Zonal Manager during visit to Branch.

- ii) Branch Manager may reject application (except in respect of SC/ST and Psbloans). In case of proposals from SC/ST and Psbloans, rejection should be done at one step higher than Branch Manager.
- iii) The reason for rejection will be communicated to the borrower in line with stipulation mentioned in the Fair Practice Lenders Code.
- iv) Additionally Department has advised Zonal Offices to form a committee to review all rejected applications so that no application is rejected without genuine grounds.
- v) For walk-in loan applicant a new Menu "CPTS" has been developed in Finacle for entering all type of loan applications, including MSME loan applications, submitted by existing/prospective customers at branch level.
- vi) Under CPTS Menu in Finacle minimum information of the walk-in loan applicant is captured and a Unique Application ID is generated, which will be provided to the applicant through message. Applicant will receive message two times, one at the time of Lead Generation and another at the time of Approval/Rejection.

#### 4.2 TYPE OF LOANS

MSME Units may be granted a variety of Credit facilities for their different needs which will include the followings

##### a) **Term Loan/Demand Loan/Working Capital by way of Cash Credit and Overdraft/Deferred Payment Guarantee**

- For acquisition of capital goods (excluding second hand), fixed assets, vehicles, Plant and machinery, purchase of land and construction of building thereof purchase of Shop/Office for own Business, etc. There is no provision in the Policy for allowing term loan against purchase of second hand machinery.
- Purchase of raw material, components, stores and maintenance of stocks of these items at minimum level and stock in process and finished goods.
- Finance against receivables including challans/invoices received.
- Meeting marketing expenses where the units have to incur large-scale expenditure towards marketing of their products.

b) **Composite Loan** can be sanctioned by Branches/SME and Agri Hubs/Integrated Loan Hubs/Zones/Head Office Level Credit Committees to enable MSME entrepreneurs to avail their Working Capital and Term Loan through single window.

c) **Bills Purchase/Discounting** under L/C or outside L/C.

d) **Export Credit** facilities like Packing Credit, FBP/UFBP.

e) **Letter of Credit** on sight/usance basis for purchase of raw material/capital goods.

f) **Bank Guarantee** for performance, advance payment, Tender Money, Security Deposit, Guarantees for getting orders, for procurement of raw materials, etc.



### 4.3 APPRAISAL OF LOAN PROPOSALS

#### A) Common Appraisal Memorandum for MSMEs

- Loans above ₹10 Lacs to ₹100 Lacs
- Loans above ₹100 Lacs to ₹500 Lacs  
(Ref: CHO/MSME/10/2019-20 dated 20/11/2019)
- IBA approved Common Appraisal Memorandum for loan above ₹500 Lacs up to ₹2500 Lacs  
(Ref: CHO/MSME/01/2020-21 dated 06/05/2020)

#### B) Benchmark Ratios

SI No	Particulars
I	Benchmark Term Debt Equity Ratio (DER): <b>3:1 (Maximum)</b> . However, in respect of SME, capital intensive manufacturing unit, the same may be considered up to 4:1 on case to case basis.
II	Benchmark TOL to TNW Ratio (Leverage Ratio): <b>4:1 (Maximum)</b> . However, in respect of SME, capital intensive manufacturing units and trading concerns (where creditors are generally very high) relaxation in Leverage Ratio up to 6:1 may be considered on case to case basis.
III	In case of Term Loan, <b>Minimum Average Gross DSCR of 1.50:1</b> will be considered as reasonable requirement for new as well as existing connection.
IV	Security Coverage Ratio (Fund Based Facility Only): <b>1.20 (Minimum)</b>
V	Security Coverage Ratio (Fund Based plus Non-Fund Based Facility): <b>0.75 (Minimum)</b>
VI	Relaxation may however be considered on merit of the case by competent authority as per prevalent Loan Policy Document.

#### • For MSME >= Rs.5 Crore

Industry	Current Ratio (Minimum)	Interest Coverage Ratio (Minimum)	Average DSCR (Minimum)	Security Coverage Ratio* (Minimum)		TOL/TNW (Maximum)
				FB Only	FB + NFB	
Textile	1.10	1.10	1.30	1.05	0.75	5:1
Engineering	1.10	1.15	1.25	1.20	1.00	4:1
Services	1.10	1.20	1.20	1.05	0.75	4:1
Retail Trade	1.10	1.20	1.20	1.05	0.75	5:1
Professional	1.10	1.20	1.20	1.05	0.75	4:1
Contractors (FB only)	1.10	1.20	1.20	1.05		4:1
Contractors (FB + NFB)	NA	1.20	1.20		0.50	NA
Others	1.10	1.25	1.20	1.05	0.75	4:1





(Ref: Loan Policy Document 2024-25, Part-A and modifications thereof from time to time)

\* In case of structured scheme, scheme specific Security Coverage Ratio to be followed.

• **Debt Service Coverage Ratio**

PAT+ Depreciation+ Interest on Term Loan

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Instalment on Term Loan+ Interest on Term Loan

Depreciation to be added back to PAT in order to calculate DSCR. The same will be applicable for all MSME Schemes.

**C) Appraisal of Term Loans**

**1) Term Loan**

Loan repayment tenure will be either as per scheme specific guidelines or as defined in Bank's Loan policy Document in vogue.

**2) Documents to be obtained**

Along with application, project report and projected balance sheets for the entire repayment period are to be obtained in case of new units/projects.

- No financial statements need to be insisted upon from non-corporate priority sector advances of aggregate limits up to ₹25,000 provided the borrower is not otherwise bound by any statute/regulation.
- In all other cases, financial statements are to be submitted as per provisions contained in Loan Policy Document 2024-25, Part-A, Point No. 7.1.6.c and as amended from time to time.
- Proper scrutiny of ITR must be done to ensure that all ITRs are filed as per guidelines issued by IT Department from time to time. There may be cases when one ITR has been filed at the fag end of a financial year and the next ITR is filed in the first quarter of next financial year. Such instances may be accepted when proper justification is available for the same.
- In eligible cases wherein ITR filing date has been extended by Income Tax Department and date of filing of 2 ITRs fall in one Financial Year, the same may be accepted on case to case basis on merit taking due note in Process Note by sanctioning authority under whose delegated power proposal falls.

**3) Provisions regarding Audit of Financial Statements**

- Audited financial statements need not be insisted in case of finance to non-corporate borrowers (both existing and new), except in the case of such entities where submission of Audited Financial Statements is mandatory as per statute, for sanction/renewal/enhancement of aggregate credit limits up to ₹20 Lacs (FB/NFB including TLs and DPGs). However in such cases, unaudited financial statements are to be obtained.



- There may be possibility that in some states filing of Income Tax Return/Balance Sheet/Profit and Loss Account/GST Return is not mandatory. In such cases Income Tax Return/Balance Sheet/Profit and Loss Account/GST Return for assessment of income may not be available. Accordingly, assessment of income based on these statements is not mandatory. However, in such cases assessment of income to be done on the basis of average cash flow (Debit/Credit) in Current account of the customer and dividing the same by 12. The income so assessed to be counter verified with the income certificate issued by concerned Government Authority.
- Where the audit of account is mandatory by virtue of existing statute/law in force, in such cases audited financial statements are to be obtained irrespective of the amount of aggregate credit facilities.
- In case of corporate borrowers, audit of the accounts is mandatory and therefore audited financial statements should be insisted upon irrespective of nature/quantum of credit facilities.
- Financial statements are to be obtained for the preceding 3 years in case of existing units.
- Financial statements submitted should not be more than 6 months old at the time of submission of proposal for fresh limits as otherwise provisional financial statements of the latest date are to be obtained.
- Projected cash flow and funds flow statements to be insisted upon covering the period of repayment. For loans up to ₹5 Lacs, the same need not be insisted upon, provided the sanctioning authority is satisfied.

#### **4) Broad parameters for considering Term Loan Proposal**

While taking up the large projects, the project shall conform to broad financial indicators as defined in the Loan Policy Document.

#### **5) Transport Operators**

In case of loans for acquiring and operating Heavy Commercial Vehicles/Light Commercial Vehicles, an independent appraisal shall be carried out and repayment capacity will be established with reference to satisfactory DSCR and Financial viability from the net revenues.

#### **6) Other Requirements**

- Proof of Identity of Company, Proprietor, Partner, Director and/or Guarantor.
- Copy of PAN Card (also required for CIBIL/CRIF report pulling) for Proprietor, Partners, Directors, Firms, Guarantors, Companies, etc.
- Proof of Residence of Proprietor, Partner or Director.
- Proof of Business Address.
- Udyam Registration Certificate (URC)/Udyam Assist Certificate (UAC).
- GST Registration Certificate (if applicable).
- Sales Tax/Value Added Tax (VAT) Registration, as applicable.





- Profile of the Unit
- Rent agreement (If business premises is on rent).
- Project Report incorporating complete report on project right from stage of establishing to stage of marketing products. A copy of the project report to be obtained and studied.
- Credit Monitoring Arrangement (CMA) data in the prescribed format where aggregate fund based working capital limit sought is ₹100 Lacs and above.
- Copies of all required Licenses/Permits/Pollution control certificates in respect of establishing the unit, import of machinery, etc should be obtained.
- Particulars of the assets standing in the name of the borrower/guarantor are to be obtained wherever applicable with clear details of the assets.
- Latest GST returns of the unit to be obtained.
- Income tax and wealth tax assessment orders of the unit and returns filed by the proprietor/partners/directors and/or guarantors are to be obtained.
- For small borrowers under priority sector up to a limit of ₹25,000 submission of Income Tax, Wealth Tax, etc need not be insisted upon.
- No due certificate from PF Commissioner to be obtained wherever required.
- Details of other statutory dues like Family Pension, Employees' State Insurance, etc (if any have to be called for).
- Power sanction letter/feasibility certificate from Electricity Board, etc to be obtained wherever required.

#### **D) Appraisal of Working Capital Limit**

In regard to assessment of working capital needs, Reserve Bank of India in April 1997 had withdrawn the prescription based on the concept of Maximum Permissible Bank Finance. Banks are now free to evolve, with the approval of their Board, methods for assessing the working capital requirements of borrowers, within the prudential guidelines and exposure norms prescribed. Banks, however, have to take into account Reserve Bank's instructions relating to directed credit (such as priority sector, export, etc) quantitative limits on lending (such as against shares) and prohibition of/restriction on credit (such as bridge finance) while formulating their lending policies.

With the above liberalization, all the instructions relating to MPBF issued by RBI from time to time stand withdrawn. The operational instructions of RBI which are no longer mandatory but will continue to be followed by the Bank for ensuring credit discipline (with certain modifications) have been incorporated.



## Methods of Assessment

### 1) Projected Turnover Method (Limits up to ₹500 Lacs)

**Category of Borrower:** Industrial and Trade segments

- For working capital limits below ₹200 Lacs from the banking system, turnover method for all industrial and other borrowers {excluding village/tiny and other MSE units (new as well as existing)} would be adopted.
- The turnover method will also be applicable for assessment of credit requirements of all MSE units (new as well as existing) whose fund based working capital limits are up to ₹500 Lacs from the banking system and will be computed on the basis of a minimum of **25%** of their acceptable projected annual turnover for new as well as existing units.
- GST Registered MSMEs/MSME Borrowers transacting digitally: The working capital limits sanctioned to GST Registered MSMEs/MSME units that transact digitally with their customers shall be assessed at minimum **30%** of projected annual sales.

#### **Guidelines for identification of enterprises transacting digitally**

- 1) All such enterprises having minimum 25% of the projected turnover as digital transactions. However, transaction involving cash and paper based instruments (Cheque, DDs, etc) are to be excluded while working out the volume of digital transactions.
- 2) Assessment of limit of digital portion of the projected turnover may be based on past and current trends.
- 3) The Branches shall review the digital transaction done in the borrowal account on half yearly basis. In case of non-confirmation, Branch shall take up with the borrower for re-assessment of working Capital limit during the annual renewal of the borrowal account.

(Ref: Bank's Loan Policy Document 2024-25, Part-A, Page No. 93 to 95 and as amended from time to time)

### 2) Permissible Bank Finance (PBF) Method (Limits above ₹500 Lacs)

**Category of Borrower:** Borrowers in trade/industry category whose working capital requirements is ₹200 Lacs and above (₹500 Lacs and above for MSE units).

The extant guidelines as per Loan Policy Document 2024-25 or any amendment thereof from time to time will be followed.

### 3) Maximum Permissible Bank Finance Method (MPBF)

The Bank will strictly follow the second method of lending for financing Leasing and Hire Purchase Companies as per the existing policy guidelines framed by the Bank.

### 4) Cash Budget Method

Assessment of working capital/ad-hoc requirement for the category of borrowers engaged in seasonal industries like Sugar, Tea, Software, Real Estate, Construction contracts, etc be made on Cash Budget Method.





The system of assessment is to arrive at cash deficits at various intervals viz monthly/quarterly/half yearly and to fix up suitable limits to cover the maximum deficit.

In case of tea and sugar industry because of historical background it has not been possible for the borrowers in this sector to maintain current ratio of 1.33:1. Nevertheless the advances are adequately secured by equitable mortgage of tea estate and therefore the current ratio may be accepted at minimum level of 1:1.

(Reference: Loan Policy Document 2024-25, Part-A, Point No. 7.2.1, Page No. 97 and any amendments thereof from time to time)

#### **Review/Renewal of Regular Working Capital Limits**

- At present, review/renewal of working capital limits is done at least once in a year based on audited financial statements. However, audited financial statements of MSME units would ordinarily be available with a time lag, post-closing of the financial year. In such cases and where bank is convinced that changes in the demand pattern of MSME borrowers require a mid-term review, Bank may undertake such mid-term reviews based on an assessment of sales performance of the MSMEs since last review without waiting for audited financial statements. However, such mid-term reviews shall be revalidated during the subsequent regular review based on audited financial statements.
  - Auto Renewal of Cash Credit MSME Loan up to ₹10 Lakhs through Straight Through Process (STP) has been introduced for hassle free customer journey as well as reduction of workload at field level.
- E) The technical feasibility, the economic, financial, commercial viability, Managerial competence, environment viability and bank-ability of the proposal with reference to risk will be assessed.
- F) Other benchmark financial ratios like Current Ratio, Tenure, etc will be in line with the Bank's Loan Policy.

#### **4.4 MARGIN**

- Term Loan: 25% (minimum) or as specified in the respective scheme guidelines.
- Working Capital
  - ❖ MSME Borrowers: 6% of the Projected Annual Sales or as specified in the respective scheme guidelines.
  - ❖ MSME Borrowers transacting digitally: 7.50% of the Projected Annual Sales or as specified in the respective scheme guidelines.

(Ref: Loan Policy Document 2024-25 and amendments thereof from time to time and CHO/MSME/03/2018-19 dated 05/05/2018)

#### **4.5 REPAYMENT SCHEDULE**

Repayment schedule should be fixed taking into account the sustenance requirements, surplus generating capacity, break-even point, life of the asset, etc and not in an "ad-hoc" manner.





The maximum door to door tenor should be either in line with scheme specific guidelines or as defined in Bank's Loan Policy Document in vogue. Repayment period allowed should be justified based on cash flow and DSCR.

For Tenor-wise Exposure Limits for different types of Funded Facilities, Chapter 3, Point No. 3.5.4 of Bank's Loan Policy Document 2024-25, Part-A as amended from time to time shall be followed.

However, repayment tenure to be decided keeping in view the availability of guarantee coverage under CGTMSE/CGFMU/CGSSI/CGSS/MCGS-MSME on case to case basis.

In respect of composite loan, the repayment schedule may be fixed for term loan component only as per availability of guarantee coverage under CGTMSE/CGFMU/CGSSI/CGSS/MCGS-MSME scheme.

Moratorium period of 6 months to 1 year or as specified in respective scheme guidelines may be allowed taking into consideration the nature of the project and also commencement of commercial production.

#### **4.6 DISBURSEMENT OF LOAN**

The disbursement of the loan amount for Plant and Machinery, Equipment and other fixed assets will be made in favour of the supplier through Demand Draft/Pay Order/NEFT/RTGS/SWIFT.

Branches will ensure the end use verification.

#### **4.7 RULES RELATING TO TAKEOVER OF ACCOUNTS**

- While taking over of borrowal accounts from other bank/financial institution, entire liabilities in respect of both fund based and non-fund based facilities enjoyed by the concerned borrower should be taken over. Credit requirements of the borrower shall be independently assessed before takeover.
- Before taking over an account necessary credit information should be obtained from the transferor bank on the RBI prescribed format which should set out not merely the state of the borrower's account with them but also his/her/their financial position and credibility. The transferor bank should indicate its relationship with the borrower has been largely satisfactory and if not the specific adverse features noticed, etc.
- Branch can proceed for processing the proposal based on information sourced from RBI/CRILC/MCA/CIBIL/CRIF/ECGC/Business Information Companies viz. NEXENSUS, etc and due diligence on the borrower pending receipt of credit information from the transferor Bank. In case, where credit information is not received within 15 days (i.e. from date of our request including one reminder) from the transferor Bank in spite of all efforts by the field functionaries, before disbursement credit information to be compiled by the field functionary on the basis of information sourced from RBI/CRILC/MCA/CIBIL/CRIF/ECGC/Business Information Companies viz. NEXENSUS, etc for carrying out due diligence.
- Account can be taken over from any Bank where any of the Executive Directors or MD and CEO has worked earlier
  - (a) Loans having limits up to ₹7.50 Crores shall be considered by respective sanctioning authority. The sanctions up to ₹7.50 Crores shall be reported to the Board on quarterly basis by Head Office Credit Monitoring Department.





- (b) For borrowable accounts above ₹7.50 Crores, in exceptional cases where takeover is considered, the credit proposal shall be placed to Management Committee of the Board (MCB) for consideration and such takeover proposal shall invariably contain the specific reasons justifying the need for takeover. Such sanctions shall be reported to the Board in its next meeting for information. If NBC clearance is required as per Loan Policy Point 5.1.6, NBC Clearance of such proposal shall be given by CAC.
- Standard accounts with internal credit rating of UCO 6 and above will be eligible for takeover from other Banks/Financial Institutions. If the account under take over is eligible for External Rating as per Bank extant guidelines, the same should be minimum BBB or equivalent. Central/State Government guaranteed accounts shall be exempted from minimum external rating clause.
  - Commercial operation of the borrower/borrowing company or firm should have run at least for last two years (one year in case of infrastructure projects). Borrower/borrowing company or firm must have been earning profit in the preceding two years except infrastructure projects for which it will be one year after Commercial Operation Date (COD) as per the last audited balance sheet and should not be incurring losses during the year as per provisional financials.
  - Statement of account at least for the last one year should be obtained directly from the existing banker/through account aggregator approved by Bank and the account should depict satisfactory conduct. Latest sanction communication of transferor Bank including subsequent modification, if any to be obtained and analyzed/verified.
  - The account to be taken over should not have been re-phased/rescheduled/restructured and standard asset consecutively in the preceding 2 years in the books of transferor Bank/Financial Institution except if restructured due to Covid-19 induced pandemic under RBI Resolution framework for Covid-19.
  - All accounts proposed under MSME to be taken over from Banks/Financial Institutions are to be cleared by New Business Committee at appropriate level as prescribed in Bank's Loan Policy Document in vogue.
  - Any relaxation in the norms may be allowed by HLCC-GM up to the sanctioning power of HLCC-GM and beyond the sanctioning power of HLCC-GM, the same will be allowed by respective Sanctioning Authorities at HO Level on a case to case basis on merit.
  - In case of accounts where credit rating is not required as per credit rating policy of the bank, acceptability of the proposals will be based on the scoring under score card model.
  - While taking over of borrowable accounts from other bank/financial institution, ZLCC can sanction exposure on the borrower in the form of working capital exposure not exceeding 2 times the exposure with the existing bank from whom the account is being taken over.

[Ref: Loan Policy Document 2024-25, Part-A, Point No. 5.7, Page No.70, Modification in Loan Policy 2024-25 vide ref. no. CHO/RM/60/2024-25 dated 19/02/2025 and amendments made thereof from time to time]

#### 4.8 CGTMSE ~ MAXIMUM EXTENT OF GUARANTEE COVERAGE

In order to promote lending under the scheme as also to ensure that no genuine borrower is denied the loan for want of collateral security, the sanctioning authority should invariably cover these loans under the scheme.





CGTMSE vide Circular No. 250/2024-25 dated 18/03/2025 has notified increase in guarantee coverage ceiling from existing ₹500 Lacs to ₹1000 Lacs under Credit Guarantee Scheme-I (CGS-I) of CGTMSE and Bank has also communicated the same vide Circular No. CHO/MSME/43/2024-25 dated 29/03/2025.

W.e.f. 01.04.2018, CGTMSE has introduced a new "Hybrid Security" product allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the Bank has been allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of ₹1000 Lacs, can be covered under Credit Guarantee Scheme of CGTMSE. CGTMSE will, however, have pari-passu charge on the primary security. CGTMSE will have a notional second charge on the collateral security provided by the borrower for the credit facility.

(Ref: CHO/MSME/19/2017-18 dated 15/03/2018, HO/MSME/19/2018-19 dated 23/10/2018, CHO/MSME/30/2021-22 dated 24/01/2022 and CHO/MSME/43/2024-25 dated 29/03/2025)

**Maximum extent of cover under CGTMSE is as under**

Category (including Trading activity)	Maximum extent of Guarantee Coverage where guaranteed credit facility is		
	Up to ₹5 Lakh	Above ₹5 Lakh and up to ₹50 Lakh	Above ₹50 Lakh and up to ₹1000 Lakh
Micro Enterprises	85%	75%	75%
MSEs located in North East Region (including Sikkim, UT of Jammu and Kashmir and UT of Ladakh)	80%		
<b>Women Entrepreneurs/MSE promoted by Agniveers</b>	90%		
SC/ST entrepreneurs/MSEs situated in Aspirational District/ZED certified MSEs/Person with Disability (PwD)/MSEs promoted by Transgender	85%		
All other category of borrowers	75%		

Category (Including Trading activity)	Maximum extent of Guarantee Coverage (5% over and above the applicable guarantee)			
	Guarantee of 75%	Guarantee of 80%	Guarantee of 85%	Guarantee of 90%
MSEs situated in Identified Credit Deficient Districts (ICDD)	80%	85%	90%	95%

The revised guideline for enhancement in the extent of guarantee coverage is applicable to all guarantees issued on or after April 01, 2024. However, this revised guideline shall not be applicable in case of enhancement of existing working capital accounts already covered under the Credit Guarantee Schemes.





Any change in guidelines notified by CGTMSE/NCGTC from time to time will become automatically effective.

(Ref: CGTMSE Circular No. 241/2024-25 dated 10/12/2024 and modifications made thereof from time to time vis-à-vis Bank Circular No. CHO/MSME/28/2024-25 dated 21/12/2024 and as amended from time to time).

- The current investment grade rating: All MSME units applying for credit facilities above ₹50 Lacs under CGTMSE should have an internal rating of UCO 7 or above.
- For guarantee coverage under Credit Guarantee Fund for Micro Units (CGFMU), be guided by Gol Notification S193 dated 18th April, 2016 or any amendments thereof from time to time.
- For guarantee coverage under Credit Guarantee Fund for Stand Up India (CGSSI), be guided by Gol Notification S.O.1499 (E) dated 25th April, 2016 or any amendments made thereof from time to time.
- For guarantee coverage under Credit Guarantee Scheme for Startups (CGSS), be guided by Gazette Notification issued by Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Gol vide S.O. 2046 (E) dated 08<sup>th</sup> May, 2025 or any amendments made thereof from time to time.

• **EXTENT OF CREDIT AVAILABILITY WITH GUARANTEE COVERAGE**

Particulars	Amt in ₹ Crore	
	Credit Guarantee Cover	
	Current	Revised
MSEs	5	10
Startups	10	20
Exporter MSMEs	For Term Loans up to ₹20 Crore	

[Ref: Key Features Union Budget 2025-2026, Budget Division, Ministry of Finance (MoF), Government of India]

**Important Modifications/Amendments in CGTMSE Guidelines**

- Increase in ceiling of coverage from ₹500 Lacs to ₹1000 Lacs under Credit Guarantee Scheme-I (CGS-I) of CGTMSE and Standard Rate of Annual Guarantee Fee (AGF) have been notified vide CGTMSE Circular No. 250/2024-25 dated 18/03/2025 and Bank has also communicated the same vide Circular No. CHO/MSME/43/2024-25 dated 29/03/2025.
- In order to support Transgender, CGTMSE vide Circular No. 246/2024-25 dated 28/02/2025 has notified to provide credit guarantee support extended to Member Lending Institutions (MLIs) in respect of MSEs setup by Transgender entrepreneur, shall be eligible for concession of 10% in the Standard rate of Annual Guarantee Fee (AGF) and higher extent of guarantee coverage of 85% and Bank has also communicated the same vide Circular No. CHO/MSME/41/2024-25 dated 29/03/2025.
- Obtaining Udyam Registration Number (URN) by the borrower is mandatory for getting guarantee coverage under Credit Guarantee Scheme of CGTMSE. The guidelines are effective for all the guarantee applications lodged on or after January 16, 2023 (Ref:





CGTMSE Circular No. 206/2022-23 dated 17/10/2022 and Bank Circular No. CHO/MSME/24/2022-23 dated 30/11/2022 and as amended from time to time).

- In order to support AGNIPATH Scheme launched by Gol, CGTMSE has decided to provide special benefit to Agniveers for credit facilities extended by Member Lending Institute (MLI), after completion of four years of service by Agniveers.

(Ref: CGTMSE Circular No. 205/2022-23 dated 11/10/2022 and Bank Circular No. CHO/MSME/23/2022-23 dated 30/11/2022 and as amended from time to time).

- Annual Guarantee Fee Structure under Credit Guarantee Scheme-I (CGS-I) of CGTMSE has been modified, detailed guidelines for which has been notified vide CGTMSE Circular No. 208/2022-23 dated 30/11/2022 and Bank has also communicated the same vide Circular No. CHO/MSME/26/2022-23 dated 02/12/2022.
- Guarantee for Retail/Wholesale Trade has also been aligned with other segments under Credit Guarantee Scheme-I (CGS-I) of CGTMSE which has been notified by CGTMSE vide Circular No. 210/2022-23 dated 30/11/2022 and Bank has communicated the same vide Circular No. CHO/MSME/28/2022-23 dated 03/12/2022 and as amended from time to time.
- CGTMSE vide their Circular No. 214/2022-23 dated 02/01/2023 has extended Special Benefits to Person with disability (PwD) under Credit Guarantee Scheme-I (CGS-I) of CGTMSE for encouraging entrepreneurship among Person with disability (PwD) and Bank has also communicated the same vide Circular No. CHO/MSME/32/2022-23 dated 21/01/2023.
- Threshold limit for waiver of action under credit Guarantee Scheme-I (CGS-I) of CGTMSE has been notified vide CGTMSE Circular No. 215/2022-23 dated 02/01/2023 and Bank has also communicated the same vide Circular No. CHO/MSME/33/2022-23 dated 21/01/2023.
- Alignment of guarantee for Retail/Wholesale Trade with other segments under Credit Guarantee Scheme-I (CGS-I) of CGTMSE has been notified vide CGTMSE Circular No. 216/2022-23 dated 05/01/2023 and Bank has also communicated the same vide Circular No. CHO/MSME/34/2022-23 dated 21/01/2023.
- Reduction in Annual Guarantee Fee under Credit Guarantee Scheme-I (CGS-I) of CGTMSE has been notified vide CGTMSE Circular No. 221/2022-23 dated 31/03/2023 and Bank has also communicated the same vide Circular No. CHO/MSME/05/2023-24 dated 04/04/2023.
- CGTMSE vide their Circular No. 230/2023-24 dated 24/11/2023 has introduced Credit Guarantee Scheme for PM Vishwakarma (CGS-PMV). Bank has also communicated the same vide Circular No. CHO/MSME/39/2023-24 dated 29/01/2024.
- CGTMSE vide their Circular No. 231/2023-24 dated 15/12/2023 has extended Special Benefits to MSEs located in Identified Credit Deficient Districts (ICDD) by RBI under Credit Guarantee Scheme-I (CGS-I) of CGTMSE to promote inclusive growth and financial inclusion in regions that have historically faced challenges in accessing credit facilities. Bank has also communicated the same among field functionaries vide Circular No. CHO/MSME/40/2023-24 dated 29/01/2024.
- CGTMSE vide Circular No. 232/2023-24 dated 15/12/2023 has communicated, that it has been decided to reduce the lock-in-period in respect of loans having repayment period up to 36 months and loan amount up to ₹10 Lakhs from 18 months to 9 months. Bank has communicated the same vide Circular No. CHO/MSME/41/2023-24 dated 29/01/2024.





#### 4.9 COLLATERAL FREE LOANS

- Banks are mandated not to accept collateral security in case of loans up to **₹10 Lacs** extended to units in the MSE sector.
- Banks are also advised to extend collateral-free loans up to **₹10 Lacs** to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.
- Banks are advised to strongly encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, including making performance in this regard a criterion in the evaluation of their field staff.

[Ref: RBI Circular No. RBI/FIDD/2017-2018/56 dated 24/07/2017 updated as on 11/06/2024; Chapter-IV (Point No. 4.1)]

#### 4.10 CREDIT RATING

Considering the feedback received from Field Level functionaries, it has been decided that MSME loans up to ₹25 Lacs shall not be subject to internal credit rating. Investment Grade Rating will be UCO 7.

- 1) For aggregate exposure above ₹25 Lacs, the Rate of Interest is decided as per credit Rating or as defined in respective MSME scheme guidelines and any amendment made thereof from time to time. For any clarification regarding credit rating, Bank's Loan Policy Document 2024-25, Part-A, Chapter 4 and any amendments made thereof to be followed.

#### 2) Rating from Outside Rating Agencies

External Rating from RBI approved Credit Rating Agencies (CRAs) is required for all accounts where our bank's exposure (Fund based + Non-Fund Based) is above ₹25 Crore or exposure (FB + NFB) from Banking system is above ₹50 Crore, whichever is applicable.

However, HLCC-GM and above committee is the delegated authority for authorizing any relaxation in external rating.

In case the borrower is new entity then External Rating from RBI approved Credit Rating Agencies (CRA) to be obtained within 6 months from first date of disbursement for new project loan failing which the proposal is required to be place for Review before sanctioning authority who can allow further extension up to DCCO on case to case basis.

Our Bank has entered into MOU with SMERA, Fitch Ratings India (P) Ltd., CARE, CRISIL, Brickwork Ratings, Informerics and ICRA Limited for getting the SME borrowers rated by them.

The National Small Industries Corporation (NSIC) has been appointed as Nodal Agency which provides subsidy to the units obtaining credit rating from any of the empanelled agencies to the Micro and Small Enterprises (manufacturing sector i.e. earlier SSI units).

The Credit rating awarded by Rating Agencies under NSIC Subsidy Scheme is conclusive for borrower as well as lender.





#### 4.11 MINIMUM CREDIT SCORE FOR MSME LOANS

For detailed guidelines on Consumer CIBIL Score/CIBIL MSME Rank/CRIF High Mark criteria for MSME Loans, Bank Circular No. CHO/RM/48/2023-24 dated 28/02/2024 and any amendments made thereof from time to time to be followed.

#### 4.12 ROI CONCESSION TO WOMEN ENTREPRENEUR

In case of non-individual enterprise, if 51% or above share is held by women, in such case they will be eligible to get special concession in Rate of Interest (RoI).

For detailed guidelines, Bank Circular No. CHO/RM/44/2024-25 dated 04/12/2024 and any amendments made thereof from time to time to be followed.

#### 4.13 CONCESSION IN APPLICABLE PROCESSING CHARGES AND RATE OF INTEREST (RoI) FOR ZERO DEFECT ZERO EFFECT (ZED) CERTIFIED MSMEs THROUGH ZED PORTAL

Bank has allowed concession in applicable Processing Charges and Rate of Interest (RoI) for ZED certified MSMEs as under

Criteria	Bronze	Silver	Gold
Concession in Processing Charges	5%	15%	25%
Concession in Rate of Interest (RoI)	25 bps	35 bps	45 bps

- It is clarified that "Concession in applicable Processing Charges and Rate of Interest (RoI) will be admissible to any ZED certified MSMEs irrespective of mode of receipt of application. In other words, receiving of proposal only through ZED portal ([www.zed.msme.gov.in](http://www.zed.msme.gov.in)) is not mandatory, however authenticity of ZED Certification has to be checked invariably from ZED Portal before allowing concession".
- For detailed guidelines on Concession in applicable Processing Charges and Rate of Interest (RoI) for ZED certified MSMEs, Bank Circular No. CHO/MSME/14/2023-24 dated 08/06/2023 and any amendments made thereof from time to time to be followed.

#### 4.14 MUTUAL CREDIT GUARANTEE SCHEME FOR MSMEs (MCGS-MSME)

- Government of India, through Department of Financial Services, Ministry of Finance, has introduced Credit Guarantee Scheme for MSMEs to provide guarantees to Member Lending Institutions (MLIs) for term loan assistance up to ₹100 crore to MSMEs for their projects involving purchase of equipment/machinery.
- The Scheme shall be named as 'Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME)' and the Trust/Fund to manage the Scheme shall be named as 'Mutual Credit Guarantee Fund-MSME (MCGF-MSME)'.
- MCGF-MSME shall be a Trust Fund formed by Department of Financial Services, Ministry of Finance, Government of India and shall be managed by National Credit Guarantee Trustee Company Limited (NCGTC), a wholly owned company of Department of Financial Services, Ministry of Finance, Government of India, as a Trustee.
- The purpose of the Scheme is to provide guarantee coverage for term loan assistance of up to ₹100 crore to eligible Micro, Small and Medium Enterprises (MSMEs) for their projects involving purchase of equipment/machinery.

(Ref: NCGTC Circular No. 1431/NCGTC/MCGS-MSME dated 27/01/2025 and any modifications made thereof from time to time).





#### 4.15 Credit Guarantee scheme for e-NWR based pledge financing (CGS-NPF)

- Government of India through Department of Food and Public Distribution (DFPD), Ministry of Consumer Affairs, Food and Public Distribution, has introduced Credit Guarantee scheme for e-NWR based Pledge Financing (CGS-NPF) to provide credit guarantee to Eligible Lending Institutions (ELIs) against pledge finance of e-Negotiable Warehouse Receipts (e-NWRs).
- The Central Sector Scheme shall be known as the Credit Guarantee scheme for e-NWR Based Pledge Financing (CGS-NPF).
- The purpose of the scheme is to provide credit guarantee to loans up to ₹200 Lacs extended by Eligible Lending Institutions (ELIs) to finance e-Negotiable Warehouse Receipt (e-NWR) based pledge loans.
- Loans extended by ELI to eligible borrowers against e-NWRs to MSMEs as per RBI Master Direction on PSL and to farmers including SMF, FPOs and other farmer cooperatives, subject to maximum amount of ₹200 Lacs.
- Scheme Duration: From 2024-25 till end of 16th Finance Commission cycle i.e. till 2030-31 with corpus of ₹1000 crore.

(Ref: NCGTC Circular No. 1357/NCGTC/CGSNPF dated 09/01/2025 and any modifications made thereof from time to time).



## CHAPTER 5

# PRICING AND CHARGES FOR MSME LOANS

### 5.1 PRICING OF MSME LOANS

Risk of default in the MSME sector is spread amongst a wide base of borrowers and therefore the pricing would not be linked to credit rating up to certain limit, presently up to ₹25 Lacs. Pricing would be linked to credit rating of the constituent for credit limit above ₹25 Lacs or as specified in scheme guidelines, if MSME schematic lending. Pricing is done keeping in view RBI directives from time to time. Currently, as per RBI directives Bank has implemented Repo linked lending rate in case of MSE loans w.e.f. 01/10/2019 and in case of Medium enterprises w.e.f. 01/04/2020.

To counter the competition in the MSME segment by offering competitive interest rates on loans and advances to MSMEs, the interest rate structure for MSMEs was revised along with concessionary provision in RoI and guidelines in this regard were issued by Head Office, Risk Management Department vide Circular No. CHO/RM/55/2022-23 dated 14/03/2023. The present Interest Rate structure on Advances to MSMEs is as under

#### 1) Interest Rate Structure for MSME Advances

As per RBI direction vide RBI/2019-20/53 (DBR.DIR.BC.No.14/13.03.00/2019-20) dated 04.09.2019, all floating rate loans extended by Bank to Micro and Small Enterprises w.e.f. 01/10/2019 to be benchmarked to External Benchmark Based Lending Rate (EBLR).

Further, as per RBI direction vide RBI/2019-20/167 (DOR.DIR.BC.No.39/13.03.00/2019-20) dated 26.02.2020, all floating rate loans extended by Bank to Medium Enterprises w.e.f. 01/04/2020 to be benchmarked to External Benchmark Based Lending Rate (EBLR).

(Ref: RBI Master Direction No. RBI/DBR/2015-16/20 dated 03.03.2016 last updated on 12.09.2023 and as amended from time to time).

Accordingly, our Bank has devised and implemented UCO Float Rate linked Rate of Interest (RoI) structure.

Rate of Interest (RoI) will be guided by Bank's policy/circular issued from time to time.

#### 2) Commercial Real Estate Exposure to Micro, Small and Medium Enterprises (MSME)

- CRE projects that fall under MSME classification will be linked to UCO Float Rate.
- Spread for CRE-Residential project: Spread will be charged in same way as for other MSME Loans not guided by specific schemes.
- Spread for CRE-Others project: Exposure under Commercial Real Estate-Others attract higher Risk weight, hence additional premium of 0.25% is charged to compensate additional Capital requirement for such exposures.
  - ❖ Applicable Rate of Interest (RoI) for CRE will be guided by Bank's policy/circular issued from time to time.

#### 3) Proposals linked to UCO Float: MSME Accounts linked with UCO Float

- ❖ Allowing concession in RoI on advances to MSME shall be as per Bank's policy/circular issued from time to time.





(Ref: Bank Circular No. CHO/RM/44/2024-25 dated 04/12/2024 and as amended from time to time)

### **Penal Charge**

For detailed guidelines on Penal Charges for MSME Loans, Bank's Loan Policy Document 2024-25, Part-A, Chapter-6, Point 6.1 and any amendments made thereof from time to time to be followed.

[Ref: Bank Circular No. CHO/RM/37/2023-24 dated 16/12/2023]

### **5.2 PROCESSING CHARGES FOR MSME LOANS**

For detailed guidelines on Service Charges for Non-Schematic MSME Loans, Bank Circular No. CHO/FCC/08/2023-24 dated 19/12/2023 and any amendments made thereof from time to time to be followed.

For Service Charges related to schematic MSME Loans, Scheme specific guidelines in vogue and as amended from time to time to be followed.

If any Service Charge/Commission is not specifically mentioned in Schematic MSME Loans, in such case Service Charge/Commission as defined in Bank Circular No. CHO/FCC/08/2023-24 dated 19/12/2023 and any amendments made thereof from time to time will be applicable.

However, under **Pradhan Mantri Mudra Yojana (PMMY)**, launched on April 08, 2015 to 'fund the unfunded', Bank extend credit to non-farm enterprises engaged in manufacturing, trading and service activities whose credit needs are up to ₹20 Lacs, following concessions in processing charges are allowed

#### **Processing charges for MUDRA Loan under PMMY**

<b>Loan Amount</b>	<b>Processing Charges</b>
<b>Shishu</b> Up to ₹50,000	Nil
<b>Kishore</b> Above ₹50,000 up to ₹5 Lacs	Nil
<b>Tarun</b> Above ₹5 Lacs up to ₹10 Lacs	0.50% of Limit + GST
<b>Tarun Plus</b> Above ₹10 Lacs up to ₹20 Lacs	As per extant Bank guidelines.

#### **References**

Department of Financial Services (DFS), Ministry of Finance (MoF), Government of India (Gol), vide notification No. 06/12/2024-Mission Office-DFS dated 25/10/2024 informed that as per para 26 of the Budget Announcement 2024-25 "the limit of Mudra loans has been enhanced to ₹20 Lacs from the current ₹10 Lacs for those entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' Category".

The loans above ₹10 Lacs and up to ₹20 Lacs will be categorized as 'Tarun Plus'.

\*All other charges like Documentation, Inspection, Commitment Charges, Fintech Charges, etc to be levied as per extant Bank guidelines.





- \* CIBIL/CRIF Report Pulling/Fintech Charges to be levied as per extant Bank guidelines communicated vide Circular No. CHO/RM/36/2023-24 dated 11/12/2023 and any amendments made thereof from time to time to be followed.

### 5.3 FORECLOSURE CHARGES/PREPAYMENT PENALTY FOR MSME LOANS

For detailed guidelines on Foreclosure/Pre-payment Charges for MSME Loans in vogue, Bank Circular No. CHO/FCC/08/2023-24 dated 19/12/2023 and any amendments made thereof from time to time to be followed.

### 5.4 KEY FACT STATEMENT

RBI vide Circular No. RBI/2024-25/18 DOR.STR.REC.13/13.03.00/2024-25 dated 15/04/2024 has issued guidelines on Key Facts Statement (KFS).

#### Applicability and Commencement of KFS

All new MSME Term Loans sanctioned on or after 01/10/2024, including fresh loans to existing customers, shall comply with the above guidelines in letter and spirit without any exception.

In terms of Reserve Bank of India guidelines on KFS following to be ensured by Regulated Entities (REs)

- Branch requires to provide a Key Facts Statement (KFS) to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardized format.
- The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.
- The KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more and a validity period of one working day for loans having tenor of less than seven days.
- The KFS shall also include a computation sheet of annual percentage rate (APR) and the amortization schedule of the loan over the loan tenor. Annual percentage rate (APR) will include all charges which are levied by the Bank. Illustrative examples of calculation of APR and disclosure of repayment schedule for a hypothetical loan are to be provided as per standardized format.
- Charges recovered from the borrowers by the RE (Bank) on behalf of third-party service providers on actual basis, such as insurance charges, legal charges, etc shall also form part of the APR and shall be disclosed separately. In all cases wherever the RE (Bank) is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.
- Any fees, charges, etc which are not mentioned in the KFS, cannot be charged by the RE (Bank) to the borrower at any stage during the term of the loan, without explicit consent of the borrower.
- Branches/Offices to ensure that sanction advice containing KFS (generated through LPS/Digital Platform or prepared manually) must be acknowledged by the borrower(s).
- Once the borrower(s) accepts the sanction advice along with KFS, KFS required to be executed by the borrower(s) as an integral part of loan contract/agreement and the same to be kept on record along with loan documents.





## CHAPTER 6

### GENERAL

#### 6.1 DISCRETIONARY AUTHORITY

Bank's Loan Policy Document 2024-25 or as mentioned in individual MSME schemes: In case, the delegated power mentioned in individual scheme is more than the delegated power mentioned in Loan Policy Document 2024-25, the delegated power will be governed by Loan Policy Document 2024-25 or as amended from time to time.

#### 6.2 MONITORING OF LOAN

Policy directives for monitoring of accounts covering documentation, supervision and control over accounts, special watch/potential NPAs, etc are as per Operational Guidelines for Credit Monitoring 2024-25 and 2025-26 dated 07/12/2024 of the Bank and any amendment made thereof from time to time.

Wherever the lending to MSME sector is eligible to be covered under CGTMSE, it will be the responsibility of the respective Branch head and the concerned officials at Zonal Office to ensure that the respective accounts are duly covered under CGTMSE and the Guarantee Fee and the Annual Service Fee is paid to CGTMSE in time.

The concerned department at Zonal Office should update information in CGTMSE portal on the basis of the NPA status available in system (Finacle) and there is no need to rely upon only on Branch for their letter on NPA status of account. The process of NPA marking and claim lodgement in CGTMSE covered accounts must be done in time bound manner.

(Ref: HO/MSME/337/2019-20 dated 27/12/2019)

#### 6.3 PROBLEMS OF MSME UNITS

Micro and small units are more prone to facing financial difficulties during their Life Cycle than large enterprises/corporate when the business conditions turn adverse. Absence of timely support at such a juncture could lead to the unit turning sick and many a time irreversibly. As such, role of banks in providing continuous support to viable MSMEs during such phases of transient financial difficulties assumes significance.

In view of the above, RBI vide their letter No. RBI/2015-16/160 FIDD.MSE and NFS.BC.No.60/06.02.31/2015-16 dated August 27, 2015 has advised the Banks for adopting an appropriate system of timely and adequate credit delivery to borrowers in the MSME segment within the broad prudential regulations of Reserve Bank of India by extending financial help to the viable/stressed MSE borrowers by way of adequate ad-hoc and standby limits which support the MSME units during adverse business conditions as also when their credit requirements go up.

#### 6.4 INTEREST SUBVENTION TO MSMEs

The Bank will extend interest subvention to all eligible MSMEs as per guidelines of RBI/Gol issued from time to time.





## 6.5 CO-LENDING MODEL (CLM)

- The reserve Bank of India in 2018 had put in place a framework for co-origination of loans by Banks and Non-Banking Financial Companies-Non Deposit taking-Systemically Important (NBFCs-ND-SI) for lending to the priority sector.
- RBI vide Circular No. FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated 05/11/2020 has extended the Co-origination Scheme to all NBFCs (Including HFCs) and rechristened the Scheme as "Co-Lending Model (CLM)" with primary focus to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from Banks and greater reach of the NBFCs.
- Accordingly, Bank has formulated "Policy for Co-Lending by Bank and NBFC to Priority Sector" and uploaded the same on Bank's website.

## 6.6 STANDBY LINE OF CREDIT FOR WORKING CAPITAL

Sl No	Parameter	Details
1	Product Type	Demand Loan
2	Purpose	To meet the temporary liquidity mismatch arising out of delayed realisation of receivables, receipts of GST Inputs Tax Credits (including for Exports) and other business requirements.
3	Eligibility	<ul style="list-style-type: none"> <li>• Existing MSME borrowers having Cash Credit limit up to ₹500 Lacs</li> <li>• All MSME borrowers are eligible irrespective of Internal Rating.</li> <li>• Existing Limit should be Standard/SMA-0/SMA-1.</li> <li>• For SLC purpose, DP on receivables permitted up to 360 days.</li> </ul>
4	Loan Amount	<ul style="list-style-type: none"> <li>• 25% of the existing Working Capital limit (FBWC + NFBWC) with Maximum facility up to ₹125 Lacs.</li> <li>• Prior permission to be taken from ZLCC for considering receivables beyond 90 days and up to 360 days.</li> </ul>
5	Disbursal and Repayment	<ul style="list-style-type: none"> <li>• The borrower can avail the sanctioned amount in one go or in tranches.</li> <li>• The entire loan under the scheme has to be repaid within the maximum period of 12 months from the date of disbursal or validity of sanction whichever is earlier.</li> <li>• No prepayment charges.</li> </ul>
6	Margin	<ul style="list-style-type: none"> <li>• For the proposed SLC for MSME margin will be NIL.</li> <li>• While arriving at DP for regular limit, it is to be ensured that the DP has not been provided on the GST portion for extending DP for other facilities – Working Capital limits and ensure that there is no double financing.</li> </ul>
7	Interest Rate	<ul style="list-style-type: none"> <li>• 0.50% above the sanctioned Cash Credit rate. Rol on existing Cash Credit limit should remain the same.</li> <li>• Penal Charge as applicable.</li> </ul>
8	Security	Hypothecation of stocks and receivables. Extension of charge on the Primary Security/Collateral security.
9	Processing/	Nil





	Documentation Charge	
10	Sanctioning Authority	Respective sanctioning authority as per their delegated lending power.
11	Relaxation	Relaxation other than pricing and margin is vested with ZLCC.
12	Due Diligence	Double financing to be avoided.

(Ref: CHO/MSME/14/2019-20 dated 06/01/2020)

## 6.7 VALIDITY AND REVIEW OF THE POLICY

In case any modifications/changes are warranted in this Policy, Managing Director and CEO and in his absence Executive Director will be the competent authority to approve the same after getting approved by the Credit Risk Management Committee (CRMC) before its circulation among Bank Branches/Offices.

The Policy will be effective from the date of approval by the Board and will be valid for one year from the date of approval. However, a review may be undertaken before the due date if necessary.

**Above all, in future the MSME Policy of the Bank will be guided by any changes that may take place as per latest guidelines of RBI/Gol/BCSBI or any other Government Agencies and extant guidelines of the Bank prevailing at that time.**

## 6.8 RELAXATIONS/EXCLUSIONS

Relaxations/Exclusions not detailed under MSME Policy or particular MSME Scheme to be referred from Bank's Loan Policy Document in vogue and Guidelines on Interest Rate on Advances.

## 6.9 OWNERSHIP OF THE POLICY

MSME Department, Head Office shall frame, design/review/fine tune/modify all products/procedures specific to MSME credit in the Bank, with the approval of CRMC/RMCB/Board of Directors, as applicable.



## 6.10 GLOSSARY

SI No	Acronym	Description
1	MSME	Micro, Small and Medium Enterprise
2	MSMED	Micro, Small and Medium Enterprise Development
3	RBI	Reserve Bank of India
4	TPA	Third Party Administration
5	EDP	Entrepreneurship Development Programmes
6	MoMSME	Ministry of Micro, Small and Medium Enterprise
7	GoI	Government of India
8	UNIDO	United Nations Industrial Development Organization
9	HUF	Hindu Undivided Family
10	URN	Udyam Registration Number
11	GST	Goods and Services Tax
12	CGS	Credit Guarantee Scheme
13	CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
14	FB	Fund Based
15	NFB	Non-Fund Based
16	CRMC	Credit Risk Management Committee
17	MoU	Memorandum of Understanding
18	HLCC-GM	Head Office Level Credit Committee-General Manager
19	HLCC-ED	Head Office Level Credit Committee-Executive Director
20	CAC	Credit Approval Committee
21	MoF	Ministry of Finance
22	PSL	Priority Sector Lending
23	IME	Informal Micro Enterprise
24	UAP	Udyam Assist Platform
25	URC	Udyam Registration Certificate
26	GSTIN	Goods and Services Tax Identification Number
27	PAN	Permanent Account Number
28	ITR	Income Tax Return
29	WDV	Written Down Value
30	ANBC	Adjusted Net Bank Credit
31	CEOBE	Credit equivalent amount of Off-Balance Sheet Exposure
32	TReDS	Trade Receivables Discounting System
33	KVI	Khadi and Village Industries
34	UCB	Urban Cooperative Bank
35	NBFC	Non-Banking Financial Company
36	MFI	Micro Finance Institution
37	SRO	Self-Regulatory Organization
38	ACC	Artisan Credit Card
39	LUCC	Laghu Udyami Credit Card
40	SCC	Swarojgar Credit Card
41	PMJDY	Pradhan Mantri Jan Dhan Yojana
42	SIDBI	Small Industries Development Bank of India
43	MUDRA	Micro Units Development and Refinance Agency
44	NIC	National Industrial Classification
45	PSU	Public Sector Undertaking
46	KYC	Know Your Customer
47	PSS	Payment and Settlement System
48	ALCO	Asset Liability Management Committee





SI No	Acronym	Description
49	CPSE	Central Public Sector Enterprise
50	STP	Straight Through Process
51	DER	Debt Equity Ratio
52	DSCR	Debt Service Coverage Ratio
53	TOL	Total Outside Liability
54	TNW	Tangible Net Worth
55	DPG	Deferred Payment Guarantee
56	VAT	Value Added Tax
57	CMA	Credit Monitoring Arrangement
58	CGFMU	Credit Guarantee Fund for Micro Unit
59	CGSSI	Credit Guarantee Fund for Stand-Up India
60	CGSS	Credit Guarantee Scheme for Startups
61	MCGS-MSME	Mutual Credit Guarantee Scheme-MSME
62	NEFT	National Electronic Fund Transfer
63	RTGS	Real Time Gross Settlement
64	SWIFT	Society for Worldwide Interbank Financial Telecommunications
65	CRILC	Central Repository of Information on Large Credit
66	ECGC	Export Credit Guarantee Corporation of India
67	CIBIL	Credit Information Bureau (India) Ltd
68	MCA	Ministry of Corporate Affairs
69	COD	Commercial Operation Date
70	ZED	Zero Defect Zero Effect
71	PwD	Person with Disability
72	ICDD	Identified Credit Deficient District
73	MSE	Micro and Small Enterprise
74	DPIIT	Department for Promotion of Industry and Internal Trade
75	PMEGP	Prime Minister Employment Generation Programme
76	KVIC	Khadi and Village Industries Commission
77	CRA	Credit Rating Agency
78	DCCO	Date of Commencement of Commercial Operation
79	NSIC	National Small Industries Corporation
80	NCGTC	National Credit Guarantee Trustee Company Limited
81	CRE	Commercial Real Estate
82	CLM	Co-lending Model
83	SMA	Special Mentioned Account

**Special Note:** The formats/appendices mentioned hereunder can be downloaded from the following path of UCO Online Portal

UCO Online → Downloads → Circulars → Department wise circulars → Use keyword/s to search and download (**MSME Policy**)

