परिशिष्ट | Appendix

केवल आंतरिक परिचालन हेतु / For Internal Circulation Only

प्रत्यक्ष ऋण परिचालनों हेतु ऋण नीति वित्तीय वर्ष 2021-22

Loan Policy Framework for Direct Finance

Financial Year 2021-22

भारतीय लघु उद्योग विकास बैंक

प्रत्यक्ष ऋण उद्भाग, लखनऊ

Small Industries Development Bank of India

Direct Credit Vertical, Lucknow

Lending Policies and Norms

1. Lending Policies / Norms of the Bank

The Bank would continue to follow the extant guidelines as per the previous Loan Policy reviewed / approved for FY 2021, with certain amendments. The broad guidelines / policies are discussed hereunder.

1.1 Loan Application sourcing

The Bank would strive to ensure that all loan applications (including new test marketing products) are routed through the online loan application portal, which is integrated with the SIDBI Multifunctional Appraisal and Rating Tool (SMART) to ensure automatic population of information.

1.2 Credit Management Policy:

The Bank will abide by all the guidelines, directives and advices of Reserve Bank of India as may be in force from time to time. The guidelines/ master circulars relating to the products, procedural aspects of credit appraisal, processing, sanction, documentation, etc. would be aligned with this policy framework. The business development strategy would be supported by a prudent Credit Management Policy. The market demand to improve products & processes would be balanced with exercise of sufficient control on the credit delivery processes so that exercise of prudence is not sacrificed.

1.2.1 Micro, Small and Medium Enterprises (MSMEs):

(i) The Bank shall provide financial assistance to MSMEs for eligible activities, irrespective of the nature of constitution of the enterprise. Accordingly, assistance could be extended by the Bank to an individual, proprietorship, association of persons, partnership firm, limited liability partnership, company, society or trust.

(ii) The definitions adopted for manufacturing and service sector activities are as indicated under Micro, Small and Medium Enterprises Development [MSMED] Act, 2006, as modified by Government of India [GoI] from time to time. Ministry of MSME, GoI vide Notification dated June 26, 2020 has notified the revised criteria for classification of MSMEs (effective from July 01, 2020), and fixed a composite criterion of investment and turnover, which is as under:

Enterprise Category	Present criteria based on original investment in plant & machinery / equipment		Revised criteria based on investment in plant & machinery / Equipment & turnover
	Manufacturing	Services	
Micro	Up to ₹25 lakh	Up to ₹10 lakh	Investment upto ₹1 crore and turnover upto ₹5 crore
Small	Up to ₹5 crore	Up to ₹2 crore	Investment upto ₹10 crore and turnover upto ₹50 crore
Medium	Up to ₹10 crore	Up to ₹5 crore	Investment upto ₹50 crore and turnover upto ₹250 crore

Further, Ministry of MSME, Office of Development Commissioner [MSME] vide its Office Memorandum No. dated August 06, 2020 has provided certain clarifications.

(iii) As per revised definition, calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961. 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.

(iv) As an approach to direct lending post adoption of revised definition, the Bank has fixed maximum loan/ credit exposure of ₹30 crore (including need based working capital & non-fund-based facilities) to any borrower under direct lending.

(v) Considering resurgence of Covid-19 pandemic in the country, the cap for maximum credit exposure under direct lending shall continue as hitherto and shall be reviewed by the Bank depending upon general macro-economic scenario from time to time. However, for greater flexibility and based on feedback from field offices, checks & balances for exposures under direct lending have been suitably modified (including doing away with break-up of exposure for Term Loan & WC). Modified checks & balances are detailed in **Annexure I**.

(vi) No fresh assistance shall be granted to units once they have graduated out of MSME category. In respect of working capital limits to such units, renewal is allowed as a one-time measure subject to clear exit strategy.

1.3 Product Management

1.3.1 Benchmarks for Sanction [BfS]:

- The benchmarks for sanction [BfS] as applicable to various products of the Bank are given in **Annexure II**. Relaxation cap has also been prescribed against BfS norms.

- In respect of new products of the Bank [including those introduced during FY 2021], the applicable norms would be the product specific norms as specified at the time of their approval by PIRC / RiMC, as amended from time to time.
- In respect of direct lending proposals relaxation of norms within cap excluding relaxation in rating may be considered by the Committee delegated to sanction. Further, relaxation beyond cap, other than relaxation of Prudential Rating and sector specific norms may be considered by:
    - CCIC CGM for all proposals upto delegation of CCIC CGM;
    - CCIC DMD for proposals within its delegation except proposals under MSME RFS; and
    - EC for all other proposals.

    Such relaxations may be considered on the merits of individual credit proposals and accorded only under exceptional circumstances subject to rationale for seeking such relaxations/deviations together with risk mitigation measures being suitably brought out in the appraisal memorandum. Further, additional risk premium, if any to be charged for such relaxations, would be decided by the delegated authority.
- In respect of renewals at current level or reduced level, delegated Committee (based on existing exposure) may relax the BfS norms, beyond relaxation caps, provided suitable risk mitigants are put in place.

1.3.2 Facilitation for Product Development / Innovation

- The Bank has put in place a suitable mechanism to understand the business needs of the MSME customer / beneficiaries [Direct lending and lending through intermediaries] and address them swiftly. Accordingly, **Product Innovation and Review Committee [PIRC]** at the HO level would consider and recommend new products / modifications to existing products/ processes and approve test marketing products. Apart from approving products, PIRC would also approve structuring of specific arrangements in a cluster or around a large corporate / OEM / industry association, dispensation through aggregators where several MSMEs are expected to be benefited. Such arrangements could have different dispensations than those followed for regular credit products.

- These would be handled as per provisions of the Enterprise and Risk Management (ERM) Policy.

1.3.3 Coverage under Guarantee schemes

The credit facilities to the eligible MSE customers may be generally covered under guarantee schemes operated by Credit Guarantee Fund Trust for Micro and Small Enterprises [CGTMSE], National Credit Guarantee Trustee Company [NCGTC], ECGC Limited etc., as applicable. These would be handled as per the Security and Collateral Management Policy.

1.3.4 Working Capital Assistance

Working Capital finance is critical for the success of MSMEs and hence is available for the following categories of borrowers:

i. existing customers who are solely banking with the Bank.
ii. existing customers (who are also banking with other banks) and have placed major share of immovable security with the Bank.
iii. existing well performing entities who are new to the Bank and do not enjoy working capital facility with any other bank;
iv. where term loan is considered by the Bank.
v. New entities where term loan is considered by the Bank.

Takeover of working capital accounts may be considered subject to compliance of extant takeover guidelines.

1.4 Process Management

1.4.1 Delegation of Powers

The key tool for managing the internal processes of the Bank is the Delegation of Powers [DoP] to various committees and the individual functionaries of the Bank. It also puts in place suitable system of checks and balances in the credit and investment related decision processes.

Presently, Delegation of Power dated August 2018 for direct lending along with several modifications since revamp of direct credit delivery system in May 2019, is in force and is being exercised by field offices. For ease of operation and to have DoP in sync with revamped direct credit delivery system, a comprehensive review of delegation of power (DoP) under direct lending is under progress.

1.4.2 Appraisal process

The credit proposals for term loan and working capital assistance to MSMEs would be appraised in SIDBI Multifunctional Appraisal and Rating Tool [SMART]. Simpler dispensation products viz. such as Secured Business Loan [SBL], STAR, TULIP, STOCS, etc. shall be appraised in the appraisal format approved by the Competent Authority while according approval of these products during pilot phase / roll out.

The Bank has adopted industry best practice to segregate origination and appraisal functions by setting up independent units as Express Loan Service Centers (ELSCs). Further, to strengthen underwriting process, loan applications of greenfield units, irrespective of loan sought, shall henceforth be appraised by ELSCs only and sanctioned by Committees at the level of Regional Credit, Settlement and Investment Committee [RCSIC] headed by General Managers of the Region or higher Credit Committees based at Head Office, depending upon the quantum of exposure.

The Bank's current guidelines on due diligence with regard to obtaining satisfactory credit reports, undertaking visits, due diligence of suppliers /contractors etc., checking of CIBIL/Credit Information Companies [CICs] database for consumer/commercial credit information reports, CIBIL MSME Ranking [CMR] (wherever available), obtaining of Hunter Report, KYC and AML norms, checking of RBI defaulters list, and CRILC database, caution advices etc., guidelines on connected lending, multiple banking arrangements, NOC from existing lenders, etc., wherever applicable, shall be followed / adapted in line with market practices. Further, enhanced due diligence (i.e. wider market feedback about promoters and the entity, granular understanding of experience and resourcefulness of promoters, etc.) shall be carried out for exposure over ₹15 crore to New to SIDBI customers.

Considering the challenges faced by MSMEs in furnishing Audited / provisional / self-certified financial statements of previous / last FY (i.e. FY2021) during first quarter of next FY (i.e. FY2022), the financial assistance to a MSME unit shall be based on Audited financial statements of FY precedent to last FY (i.e. FY2020), wherever Audited financial statements of last FY is not available. GSTR and bank statements for last FY (i.e. FY2021) shall be obtained to record estimated turnover / sales (to ensure that credit summation is generally commensurate with the turnover). Further, details of credit facilities availed by the borrower during last FY shall also be obtained to estimate leverage & debt servicing.

Further, for proposals being appraised during July - October of an FY where Audited financial statements are not available, the financial assistance shall be considered based on provisional balance sheet / financial statements certified by Statutory Auditor or self-certified financial statements / key financials along with GSTR and bank statements (to ensure that credit summation is generally commensurate with the turnover). Suitable covenants shall be stipulated to ensure early submission of audited financials and to address variations in respect of key financial figures. In respect of New To SIDBI (NTS) customers, audited financial statements of the borrower and its major associate concerns, shall be mandatory for exposures above ₹5 crore. However, in cases where audited financial statement is not available during the prescribed timeline for filing of tax returns (April to October of an FY or such extended period), provisional financial statements necessarily certified by the Statutory Auditor shall be submitted. In respect of NTS customers with exposure above ₹5 crore, where audited financials of previous FY is not available and provisional financial statements are submitted, the weighted average CIBIL TU / Credit Vision 2.0 score should be at least 700 and CMR score should not be lower than CMR5 in respect of the proposed borrower, with no relaxations permitted in these parameters, even on technical grounds. If CMR is not applicable / available for any reason, such cases may be processed only upon receipt of audited financials for previous / last FY.

As part of policy approach, a sympathetic view was taken during FY2021 to allow and accept aberrations (including dip in sales) in financials of FY2020 and rating downgrades based on reasonable assessment. Since, first half of FY2021 didn't see much of economic activity, accordingly, MSMEs in certain sectors have been impacted adversely by Covid-19 and have witnessed continued aberration in financials and rating downgrades. Accordingly, existing dispensation of increasing trend in financials of the MSME units (in case of CA certified / self-certified provisional financial statements) under new products shall be not applicable for direct lending business during FY2022.

For proposals being appraised post October of an FY, requirement of audited balance sheet / financial statements of the Borrower and its major associate concerns for previous / last FY would be mandatory. It is clear that the second wave of pandemic would again delay finalization of audited accounts of the Borrowers. Accordingly, a policy approach in case of any extension in due date for filing of income tax returns by Central Board of Direct Taxes (CBDT) or regulatory guidelines / instructions announced by GOI, shall be formulated by Direct Credit Vertical and put up for approval of RiMC.

No additional facilities would be granted by the Bank to the willful defaulters as identified by it and those appearing in the list as published/disseminated by RBI/CICs. In addition, such companies/entities (including their entrepreneurs / promoters) where the Bank has identified siphoning / diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions would be debarred from the Bank's exposure for floating new ventures for a period of 5 years from the date of removal of their name from the list of wilful defaulters.

In compliance with the Policy Guidelines on KYC Norms and Anti Money Laundering [AML] Standards, the process of risk categorization of customers has been put in place depending upon their activity, location, constitution, etc.

1.4.3 Visits: During the period of lockdown when movement was restricted and undertaking site visits was not possible, use of electronic medium such as video calls, skype, etc was adopted. However, physical visits were undertaken after normalcy returned. Considering resurgence of Covid-19, practice of undertaking visit by electronic means has been extended upto

July 31, 2021. Situation shall be reviewed from time to time and if required, timeline for undertaking visit by electronic means shall be extended accordingly.

1.4.4 Fair Practices Code for lenders/ Code of commitment to Micro, Small and Medium Enterprises [MSMEs]:

Fair Practices Code for Lenders, as per RBI guidelines, has been adopted by the Bank and hosted on Bank's website. The Code sets out the guidelines for processing of loan applications, appraisal, disbursement, post-disbursement supervision, etc. A Grievance Redressal Mechanism has also been put in place to resolve the disputes arising out of the Fair Practices Code. The Bank has adopted the Code of Commitment to Micro, Small and Medium Enterprises of Banking Codes and Standards Board of India [BCSBI].

1.4.5 Enhancing customer engagement

The Bank has sensitized its customers and staff by way of following steps:

- Details of SIDBI's schemes of assistance have been hosted on Bank's website for customer's education.
- SIDBI's Code of Commitment to MSMEs, Citizens' Charter, Customer Compensation Policy, Customer Grievance Redressal Policy, Fair Practices Code and Deposit Policy have been hosted on intranet and SIDBI Website. Further, all the officers are encouraged to keep themselves updated of various customer service-related policies.
- To enrich relationship with our stakeholders and MSME sector, relevant messages on the sector are sent through Facebook, Twitter, Instagram etc.
- Customer Service policies are being reviewed at regular intervals.
- Several initiatives have been taken by the Bank to prevent / reduce recurrence of grievances related to inadequate communication in future which inter-alia include printing of brochures/ posters/standees for its various schemes/products.

1.5 Credit Risk Management

In terms of RBI guidelines, the banks should have a robust Credit Risk Management (CRM) system which is sensitive and responsive to the credit risks emanating from its dealings with individuals, corporates, banks, FIs or sovereign. According to the guidelines, banks have to devise a risk management framework oriented towards their requirements, dictated by size, complexity of business, risk philosophy, marketing perception, etc.

The dimensions of credit risk to which the Bank is exposed to in its direct credit portfolio fundamentally emanate from exposure to MSME enterprises/ sector which are characterized by weaknesses in corporate structure, systems, accounting standards, lack of availability/ reliability of information and vulnerability to external developments, risk concentration in exposure to the MSME sector.

1.5.1 Credit Risk Strategy

In line with the strategy for managing risks in the credit portfolio, following tenets have been incorporated in the Bank's Loan Policy and adopted in this document / framework:

a. Use of internal rating models to measure credit risk for majority of the customer categories.
b. Risk control, *inter alia*, through implementation of exposure limit framework for different segments of customers.
c. Implementation of processes to ensure that initiative to increase lending by innovation in products, target clients, etc., does not lead to deterioration of the asset quality of the Bank's portfolio.
d. Installation of an enabling framework capable of grading the risk and eventually linking pricing to internal ratings as suited to the Bank's requirements.

1.5.2 Risk Measurement

(i) Internal Credit Rating Systems –

Internal credit assessment is carried out through Score Card, SMART or Risk Assessment Models [RAM]. All proposals eligible for rating under SMART or any of the Score Cards as per guidelines shall be rated in SMART / respective Score Card model. Presently, for direct credit, the Bank has 2 rating models in SMART and Score Cards for greenfield proposals upto ₹3 crore, & SIDBI loan for purchase of equipment for enterprise's development [SPEED / SPEED Plus]. All other proposals are rated in appropriate model in RAM.

(ii) External Rating –

For proposals under MSME-RFS limits, External Rating (Bank Loan Rating - BLR) by RBI accredited credit rating agencies is considered for the purpose of ascertaining eligibility vis-a-vis the minimum external rating grade stipulated by the Bank. Further, all credit proposals for direct lending with aggregate exposure above ₹7.5 crore will be considered with applicable SME Rating. However, valid BLR based on latest available Balance Sheet, may be accepted in place of SME rating. BLR would also, be applicable to all direct credit proposals having exposure above ₹50 crore.

(iii) Investment Grades –

Proposals with internal obligor risk rating at the time of appraisal between S1 to S8 in RAM [equivalent grade in SMART/Score Card] are considered as ‘investment grade’ i.e. suitable for extending credit facility. In respect of MSME-RFS limits, the minimum investment grade is AA-.

During FY2021, the lockdown in view of Covid-19 pandemic and ongoing second wave of Covid-19, has adversely affected the stress position across industries. While timely liquidity/ other support from RBI and guaranteed loan under ECLGS by GoI, has provided some relief, the credit quality may deteriorate in the near to medium term, if liquidity position is further stressed due to recent resurgence of Covid-19. The Bank is aware of the likely downgrade in rating during in the coming months and shall take a sympathetic view about credit decision in this scenario. Direct Credit Vertical shall access requirement, based on feedback from field offices, formulate a policy approach for dealing with rating downgrades and put up for approval of RiMC.

1.5.3 Risk Mitigation

(i) The present credit risk mitigation strategies in vogue would be continued which are primarily being applied at two levels. At the project specific level [transaction level], efforts are made to identify critical risk factors and suitable mitigation measures are explored and stipulated, wherever possible. Risk rating would be used for objective grading of risk. At the portfolio level, the Bank has been following a strategy of exposure management and prudential caps on credit exposures under various activity/ industry /type of customer.

(ii) Higher investment grade ratings – Select Sectors –

a) In view of relatively high delinquency levels in certain sectors (based on various market intelligence report & MSME pulse) and feedback from monthly review of SMA accounts by Stressed Asset Monitoring Committee, the Bank would adopt a cautious/selective approach for financing under these sectors with better risk mitigation. Currently these sectors are construction, chemical & chemical Products, textiles,hotels, travel & tourism and logistics, leather & leather products, food & food products, drugs & pharmaceuticals, paper & paper products including printing,power including windmill & solar (except assistance under STAR, in which, projects for captive consumption is assisted), hospitals and iron & steel.

b) Further, based on action plan of Ministry of MSME to create awareness for transition from single use plastic to alternate materials in line with Plastic Waste Management (Amendment) Rules, 2021; plastic & packaging sector (including single use plastics) has also been included in the list.

c) Higher investment grade ratings have been stipulated in these sectors for greater selectivity and credit quality as indicated in **Annexure – III** with minimum internal rating grade and compliance of other conditions specified. The list may be modified during the year based on review of stress / NPA performance, industry outlook and other factors.

(iii) **Restricted industries** - The extant instructions for a cautious approach in respect of industries such as chemical dyes & dye intermediates, industrial oxygen (except for medical use), distilleries, etc., would continue. Assistance to deserving units in the list could be considered if they have an internal obligor risk rating of S5 or above. Industries consuming / producing ozone depleting substances viz. Chlorofluorocarbons [CFCs], Halon, Carbon tetrachloride, Methyl chloroform, Hydrobromo-fluorocarbons [HBFCs), hydrochloro-fluorocarbons [HCFCs], Methyl bromide, Bromochloromethane (BCM), etc., would **not** be assisted at all.

1.6 Pricing

Pricing Strategies shall take into account the following broad considerations:

(i) In the existing scenario of dynamic interest rates, competition and the need for the Bank to expand the direct finance portfolio with addition of quality assets, a dynamic pricing strategy has become sine qua non.

(ii) Pricing of loans is carried out as per the gradation of risk determined by the internal ratings for various customer segments. With a view to remaining competitive in the market, the existing practice of fixing interest/ discount rate depending upon competitiveness/ demand, asset cover and such other factors, may continue. However, the Bank shall move towards strategic pricing options for acquisition of good quality assets of larger size. Additionally, it would also introduce the concept of interest rate range/ band (floor & ceiling rates) for higher rating grades, say upto C5.

(iii) A cluster specific / sector specific approach may also be considered in line with other lenders to stay relevant and competitive in such scenarios.

(iv) As regards assistance sanctioned to infrastructure projects and such other projects under joint finance/ consortium arrangement, the interest rate stipulated by the lead institution/ other banks would normally be followed provided stipulated interest rate by the lead institution is above the floor rate fixed for direct lending. Wherever, SIDBI is the lead institution, interest rate shall be stipulated based on extant interest rate structure for direct lending and discretionary powers for reduction in rate, if required, may be exercised to ensure competitive pricing. In case of projects involving multiple/joint/consortium financing, interest rate reset clauses would be in line with other banks/ institutions.

1.7 Management of Asset Concentration

(i) Exposure Caps and Counterparty / Activity / Industry exposure

Asset concentration is being managed by the Bank by way of various exposure caps/ norms for credit deployment which have been fixed, as under, taking into account the norms prescribed by RBI. Exposure cap has been defined for SIDBI on solo basis (as a % of capital funds of the Bank) and SIDBI group-wide (as a % of capital funds of the group). Such internal caps have been laid down in respect of different schemes of direct assistance and for various industrial sectors as summarized in the table at Annexure – IV. The exposure caps are applicable on exposure taken from the banking book as well as Treasury.

Of late, the Bank has introduced number of new products (including parameterised and quick delivery products) to cater to specific needs / requirements of MSMEs. To cap exposure on a borrower under quick delivery products (i.e. PCS, PCS-P, TULIP, etc.), there is an exposure cap of ₹4 crore.

New products also include quick delivery products (SPEED / SPEED Plus) as well as product based on detailed appraisal (PRATHAM) for machinery finance. These machinery financing schemes are typically scheme for relatively smaller exposures, maximum upto ₹2-₹4 crore under a single scheme. These three schemes, put together, have gained substantial traction and it would be prudent to introduce cumulative exposure cap for machinery finance under new products, to ensure that suitable control mechanism is in place & to enable cross-selling of other existing schemes. Accordingly, cumulative exposure caps of ₹4 crore to New to SIDBI (NTS) and ₹6 crore to Existing Customers (having at least 2 years satisfactory repayment track record,) under these three new products (SPEED, SPEED Plus & PRATHAM) shall apply. Scheme wise exposure caps shall be updated in Handbook for Direct Credit Operation.

(ii) Policy on Group Lending

Under direct lending, the Bank considers assistance to large groups only under select schemes such as MSME-RFS. Decisions on sanction/ continuation of exposure on a concern whose group/ associate concern(s) has defaulted to the Bank and / or to other banks/ FIs are being taken on case specific merits. The practice would be continued and a final view on such cases would be taken by the delegated sanctioning authority. For this purpose, group borrowers shall be identified as per RBI guidelines on Exposure norms for AIFIs, the guiding principle in this regard being commonality of management and effective control. Further, SIDBI Group wide Exposure cap has also been defined in all the above scenarios.

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Annexure – I

[A] Maximum loan/ credit exposure under Direct Finance:

a) Maximum loan/ credit exposure (including need based working capital & non-fund-based facilities) to any borrower from SIDBI, shall not exceed ₹30 crore.

b) Preference would continue to be given to composite exposures i.e. term loan and working capital being taken from SIDBI.

c) Following additional provisions would be applicable for New to SIDBI (NTS) customers seeking assistance in excess of ₹15 crore from SIDBI

   (i) In case of an existing enterprise, such enterprise should have earned net profits during past 2 years, have satisfactory repayment track record with their existing lenders and a minimum obligor rating of S5.

   (ii) In respect of new greenfield unit (i.e. first manufacturing or service sector unit of a borrower entity), higher investment grade / minimum obligor rating of S5 or combined rating of C4 shall be mandatory.

   (iii) In respect of new enterprises / units being set up having majority control by promoters and close relatives [as defined in Companies Act, 2013] of Existing to SIDBI [ETS] borrowers having two years of satisfactory repayment track record without any relaxations, the minimum obligor rating or combined rating criteria could be allowed upto S6 / C5 by Sanctioning Authority.

d) In-principle approval from Direct Credit Vertical in respect of NTS customers would be mandatory for proposed exposures above ₹15 crore.

e) In-principle approval would also be mandatory for proposals under consortium / joint financing irrespective of proposed exposure on a customer for the purposes of sharing term loan / working capital exposure. Further, such consortium / joint proposals shall be subject to minimum internal rating of S4. Further, such consortium / joint proposals shall be subject to minimum internal rating of S4. However, this would not be applicable in instances where term loan not exceeding ₹30 crore is given by SIDBI and working capital by a Bank without sharing of pari-passu charge on fixed assets or collateral security mortgaged / hypothecated to SIDBI.

f) Assistance to existing customers under **PCS [allowed ₹1 crore once in an FY with maximum exposure of ₹2 crore] / PCS premium [allowed ₹2 crore once in an FY with maximum exposure of ₹3 crore], Adhoc / ToD** under WC limit would continue as hitherto and exposure cap of **₹30 crore** shall not apply for such assistances. Similarly, renewals of working capital limits at existing / reduced levels of exposure would also continue, as hitherto.

g) Further, exposure to **existing customers [except f above]** within 20% of existing exposures for meeting requirements on account of overrun, urgent capital expenditure, etc. (except enhancement in WC limit) shall also be permitted beyond exposure cap of **₹30 crore**. Similarly, increase in exposure on account of capitalisation of interest & creation of FITL, etc. due to restructuring would also be permitted.

h) In respect of existing customers, the Bank would continue to provide ECLGS under TWARIT and other Government introduced / mandated schemes even if total proposed exposure crosses ₹30 crore since it is as per the GOI decision and is fully guaranteed by NCGTC. Similarly, financial assistance under LIQUID scheme (primarily meant for easing liquidity of MSMEs unit impacted by Covid-19) shall be undertaken even if total proposed exposure crosses ₹30 crore.

i) No relaxations in CMR / CIBIL scores other than already permitted as per extant guidelines, would be allowed, while considering in-principle approvals as above.

j) Unit graduating out of medium sector as per the revised definition would no longer be considered for funding. Clubbing provisions would apply.

Annexure II

Benchmarks for Sanction (BfS)

A. Term Loan

Sl. No.	Parameters	BfS Norm	Relaxation Cap
1	Prudential Rating	S8	No relaxation
2	Debt-equity Ratio (DER)[1]	3:1[2]	3: 1
3	Promoters' contribution[3]		
	New entity[4]	33%	25%
	Existing entity[5]	25%	20%
4	Average Projected DSCR[6]	1.50	1.25
5	Fixed asset coverage Ratio (FACR)		
	New entity	1.00	0.90[7]
	Existing entity		
	Asset light & Cash-flow based	0.50	0.40
6	Asset coverage Ratio (ACR)		
	New entity	1.40	1.30
	Existing entity	1.30	1.20
	Asset light & Cash-flow based	1.30	1.00

B. Working Capital

Sl. No.	Parameters	BfS Norm	Relaxation Cap
1	Prudential Rating	S8	No relaxation
2	Interest coverage ratio (ICR)[8]		
	New entity	1.50	1.50
	Existing entity[9]	1.25	1.10
3	Fixed asset coverage Ratio (FACR)		
	New entity	0.75	0.75
	Existing entity		0.65
4	Asset coverage Ratio (ACR)		
	New entity	1.40	1.30

[1] For the company/entity as a whole after considering sub-debt [SD] and interest-free unsecured loans [IFUSL] as quasi equity
[2] 4:1 for Fleets/Vehicles under logistics (Service Sector)
[3] (a) Not applicable for secured business loan (SBL) & privileged customer scheme (PCS) (b) 15% for proposals under SMILE (c) 15% to 30% by way of FD for SPEED and SPEED Plus and (d) as approved by PIRC for test products viz. CSC VLE, LOGIC, PRATHAM, PRISM, SAPHAL, STAR, TULIP, SAFE and its variants.
[4] A "New entity" is an entity newly set up/proposed to be set up. This would also include entities established in the past but with nil/ insignificant commercial production.
[5] An "Existing entity" is one which has already been established and is engaged in commercial production (with or without SIDBI's financial assistance) for minimum one year and audited accounts [for a full year] thereof are available.
[6] 1.25 for service sector with no relaxation
[7] Applicable for customers having top 2 valid SME Credit rating/Bank loan rating of BBB+& above
[8] ICR = Earnings Before Depreciation, Interest and Tax [EBDIT] / Interest expenses
[9] ICR, Current ratio and TOL to TNW ratio shall be based on last audited accounts / In case, the proposal is appraised during April-October of an FY and the audited financials of previous FY are not available, the calculation shall be based on provisional balance sheet certified by Statutory Auditor.

Sl. No.	Parameters	BfS Norm	Relaxation Cap
	Existing entity	1.30	1.20
5	Current ratio		
	New entity	1.25	1.10
	Existing entity	1.25	0.90
6	TOL to TNW ratio		
	New entity	4:1	5:1
	Existing entity	4:1	6:1
7	Margin on stocks of raw materials, receivables/book debts etc.		
	New entity	30%	25%
	Existing entity	30%	20%

C. MSME – Receivable Finance

Sl. No.	Parameters	Clean/ not backed by collateral	
		BfS Norm	Relaxation Cap
1	Prudential Rating	AA-	No relaxation
2	Fixed asset coverage Ratio (FACR)	Not applicable	
3	Asset coverage Ratio (ACR)	Not applicable	
4	Current ratio		
	New customer	1.25	1.10
	Existing customer		0.90
5	Quick Ratio	0.50	0.40
6	TOL to TNW ratio		
	New customer	4:1	5:1
	Existing customer		6:1

Note:

a. Direct Credit Vertical would align scheme norms / operational guidelines with the policy framework.
b. Relaxation of BfS norms within the cap may be considered for maximum **3 [three]** parameters. Additional risk premium, if any, to be charged for such relaxations, will be decided by the delegated authority.
c. In respect of renewals at current level or reduced level, the delegated authority may relax the BfS norms suitably provided proper risk mitigants are put in place. The exit strategy, if any, would be decided by the delegated authority.
d. Greenfield units / borrowers are defined as under:
   - ✓ New projects; OR
   - ✓ Project implemented where minimum one year of operation and audited accounts [for a full year] thereof is not available; OR
   - ✓ Proposals where borrower is diversifying from trading to manufacturing / service activity.
e. All other units may be treated as “Brownfield unit”. Further, the units / entities assisted under SPEED / SPEED Plus / other schemes, using the concept of co-borrower may also be treated as brownfield. Such units shall be treated as brownfield only for the limited purpose of processing and sanction of SPEED / SPEED Plus proposals.
f. For specific purpose of Benchmark for Sanctions (BfS) and other norms of relaxation Matrix as defined in, customers shall be categorized as New to SIDBI and Existing customer. Customers having completed one-year association from the date of first disbursement, shall be defined as Existing customer or else it would be New to SIDBI customer.

Annexure –III

Higher investment grade ratings – Select Sectors

Sr. No.	Particulars of industry	Minimum obligor rating
1	Iron & steel industry	S6
2	Textiles[a]	S6
3	Chemical & Chemical Products	S6
4	Construction	S5
5	Hotels[b]	S5
6	Hospitals[c]	S6
7	Travel & Tourism and Logistics	S6
8	Plastics & Packaging (including Single use plastics)	S6
9	Paper & Paper Products (including printing)	S7
10	Food & Food Products	S7
11	Leather & Leather Products	S7
12	Drugs & Pharamceuticals	S7
13	Power sector projects	S5
14	Windmill/ Solar Projects[d]	S7
15	Deserving units in the restricted list of Industries such as Chemical dyes & dye intermediates, industrial oxygen, distilleries etc.	S5

a) Except knitting cluster at Tirupur.
b) Hotel projects may be considered with 100% collateral outside the project. Since Hotel projects typically have a relatively higher implementation/ stabilization period, a sufficiently long repayment period with ballooning/ stepped-up schedule may be drawn with sufficient moratorium.
c) Hospital projects may be considered with matching collateral outside the project. Since Hospital projects typically have a relatively higher implementation/ stabilization period, a sufficiently long repayment period with ballooning/ stepped-up schedule may be drawn with sufficient moratorium. However, this shall not apply to machinery finance to hospitals with cumulative exposure caps of ₹4/6 crore to NTS/Existing customers (having satisfactory repayment track record of 2 years).
d) Windmill/ Solar Projects may not be considered on standalone basis. However, such projects being set up by export oriented MSME units may be taken up without insisting upon 50% captive consumption of electricity generated. In respect of other MSME units setting up such projects, there should be minimum 25% captive consumption either directly or through wheeling to grid. While financing such borrowers under both the categories as indicated above, BOs should ensure that the existing cash flows of the borrowing entity are adequate to service the proposed debt obligation and the proposed exposure is secured with collateral security (outside the project) in the form of immovable property / liquid security having value of at least 50% of exposure.

Annexure IV

Exposure Caps [for Direct Credit only]

S. No.	Activity / Industry	Exposure cap for SIDBI on solo basis (as a % of capital funds of the Bank[10])	SIDBI Group wide[11] Exposure cap (as a % of capital funds of the Group[12])
1	**Individual / Borrower Group Exposure[13]**		
(a)	Direct assistance to MSMEs & specialized organizations marketing MSME products		
(i)	Single borrower	1%	1%
(ii)	Proprietorship entities [aggregate of SIDBI's exposure to all proprietary concern of a proprietor]	₹10 crore	₹10 crore
(iii)	Borrower Group exposure	3%	3%
(b)	MSME Receivable Finance Scheme (MSME-RFS) including exposure through TReDS, RXIL, direct resource support & such other form of bulk lending (except refinance and BRS) to public financial institutions, public sector undertakings and corporates		
(i)	Single borrower	15%	15%
(ii)	Borrower Group exposure	25%	25%
2	MSME-RFS without collateral	30%	-
3	**Infrastructure activities / projects**		
(a)	Total portfolio[14]	10%	10%
(b)	Power sector including generation, transmission and distribution.	5 %	5 %
4	**Resource Support[15]**	50 %	50 %
5	Exposure cap in service sector projects	40 %	40 %
6	**Industry Exposure**		
(a)	Cap on exposure to a particular industry other than those at (b) below	10 %	10 %
(b)(i)	Textiles / readymade garments and hosiery	30 %	30 %
(b)(ii)	Engineering industry	30 %	30 %
7	**Ceiling on Exposure in unsecured advances [including MSME-RFS without collateral at 2 above]**	100%	100%
8	Intra Group Exposure	10% of paid up capital and reserves in case of regulated financial services company.	
		20% of paid up capital and reserves in case of the group i.e. all group entities (financial and non-financial) taken together.	

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[10] As per latest audited final accounts.
[11] Includes exposure from SIDBI, MUDRA Ltd., SVCL and STCL (wholly owned subsidiaries of the Bank)
[12] As per latest audited final accounts.
[13] Exposure has been defined as sum of existing outstanding, undrawn commitments / unutilized limit and proposed sanctions under all facilities [fund based and non fund based]
[14] Includes exposure to activities in various sub-sectors under infrastructure
[15] Excluding NBFCs