

Clarifications regarding Refinance scheme

Sl. No.	<u>Query</u>	Clarification
Scheme specific- RMSE-X		
1	The scheme refers to exclusion of takeover accounts. Whether this is about takeover principal amount from other banks only. Incremental amounts (if takeover from bank) would be eligible. Similarly, the loans taken over from NBFCs will also be eligible.	Takeover from other banks is not allowed. Please be guided by the scheme norms. The incremental amount disbursed by the bank after takeover would be eligible.
2	Under scheme of RMSE-X (RSRS), please define the 'New Borrower'. Is it first time to Bank or Banking industry? Can earlier loan from NBFC but first time to Bank can be treated as 'New Borrower'.	The definition of " <i>new borrower / enterprise</i> " for the scheme shall be those meeting any of the following: a) MSEs having no earlier bank credit. b) MSE being extended credit facility i.e. either term loan or working capital for the first time by the refinanced bank. c) Existing MSE customers setting up a new enterprise by way of expansion / diversification (including those graduating beyond MSE in the process).
3	Under RMSE-X (RSRS), the Final lending rate to the end-borrowers mentioned as 465 bps over the interest rate at which banks get refinance from SIDBI.	At present, the cap on lending rate by the banks to its MSE borrower is 3.94% + 465 bps. It may vary depending upon the final cost of funds at the time of drawal of fund or change in Repo rate / RBI guidelines. Pls check the present rate with SIDBI.
4	Will the scheme include MSME loans purchased from NBFCs in last one year (e.g. direct assignment)?	The scheme could include MSE loans purchased (direct assignment) from NBFCs (originated by the NBFCs assigning the loans).
5	Whether microfinance portfolios are eligible for refinance	Yes, microfinance portfolios are eligible for refinance
6	Working capital facility is renewed yearly where in the existing limit gets renewed with either addition or reduction depending on the business requirement and eligibility of the MSME borrower. The actual usage of limits is typically between 60-80% and reaches 100% depending on the seasonality of the industry. For such clients should we avail refinance against limit or outstanding?	The scheme allows to avail refinance against the outstanding only.
7	Scenario: A client has Rs 5 Cr O/s prior to 12 months and availed incremental	The scheme allows the loans disbursed during the previous 12

	2 Cr loan in last one year. What will be the eligible amount under refinance for such client? Is it Rs 7 Cr and 2 Cr?	months from the date of refinance application.
8	Whether loan disbursed by a bank where the interest rate is linked to EBLR viz. T-Bill, Repo rate, G-Sec rate, etc. are eligible for refinance.	Yes, provided the final lending rate charged to the end MSE borrower is falling within the applicable interest rate cap (i.e. interest rate up to 350/450 bps over the "10-year G-Sec yield")
9	Assets which have been guaranteed under the Govt's Emergency Credit Line Guarantee Scheme (ECLGS) through NCGTC will be eligible for refinance under <ul style="list-style-type: none"> • RMSE-X General • RMSE-X (ICDD) Also, whether such assets will be eligible under RMSE-X Risk Sharing Refinance Scheme.	Assets which have been guaranteed under the Govt's Emergency Credit Line Guarantee Scheme (ECLGS) through NCGTC will be eligible for refinance under <ul style="list-style-type: none"> • RMSE-X General • RMSE-X (ICDD) The loans covered under guarantee schemes of CGTMSE and NCGTC and similar other schemes of credit guarantee / credit risk cover are excluded from the eligible assets for refinance under the X Risk Sharing Refinance Scheme scheme to avoid duplicate coverage
MSME classification related		
10	The new MSME classification has been announced recently; and in last one year a large number of loans have been disbursed based on old MSME criteria. Further, the borrowers are taking time to obtain Udyam Registration Certificate (URC). In view of above, is it OK to identify MSE clients for refinance based on composite eligibility criteria (i.e. last available turnover and investment in plant & machinery/ equipment) while we are waiting for URC?	Since Gol has given time up to March 31, 2021 for getting Udyam Registration Certificate (URC) to all MSMEs existing as on June 30, 2020, we may agree, subject to compliance with Gol guidelines on the MSE definition.
11	The MSMEs in wholesale trade and related distribution services etc. have difficulty obtaining Udyam Registration Certificate even if they meet the composite criteria of turnover and investment in equipment. Can we avail refinance against such borrowers?	Pending clarification, wholesale and retail trade activities are outside the purview of the MSME definition. No refinance would be available against any trading loans.
12	Further, the circulars talk about the definition of MSEs as per the Gazette notification by Gol dated 26-June-2020. For advances given in Dec-2019, the definition of MSEs is as per the old definition basis investment in plant & machinery. Will the advances	Yes

	given under such definition be eligible for refinance under RMSE-X (General/ICDD/Risk Sharing)?	
Operational (Working Capital related)		
13	Will overdraft (OD) facility be eligible for Refinance. The guidelines mention refinance is for Term loan & working capital while Overdraft is a part of working capital facility	OD facility extended to the MSE borrowers is eligible for refinance as this is a working capital product. It may be noted that all the other fund based working capital products are also eligible.
14	In OD Facility client is given a limit and he can withdraw up to limit and also on some occasion the drawdown could be nil For purpose of this refinance we are only taking OD which has outstanding balance as on 30 th September 2020	The outstanding of OD as on the date of submission of application to SIDBI is to be considered.
15	Working capital demand loan will have a tenor less than one year (as by definition they have to be of less than one year) which are generally allowed to be rolled over so trust even they are eligible while the refinance period could be greater than one year	Most of the working capital products have a validity of one year and is renewed/rolled over on yearly basis. Working capital demand loan also is on the same mechanics, hence the same is considered.
16	A client has ₹ 5 crore Working Capital sanctioned limit, the outstanding was ₹ 5 crore during the last FY. Now the limit is enhanced to ₹ 7 crore and the outstanding is ₹ 7 crore, what will be the eligible limit for refinance	Since working capital loan is renewed every year, this will be treated as a sanction only, hence the eligible limit works out to ₹ 7 crore. If the refinance was taken for the earlier outstanding of ₹ 5 crore, then only the incremental limit of ₹ 2 crore is eligible for the present refinance.
Operational (Term Loan related)		
17	A client was sanctioned a term loan of ₹ 5 crore and disbursed ₹ 4 crore more than 12 months earlier. But the final ₹ 1 crore was disbursed in the last 12 months and the outstanding as on date is ₹ 4.5 crore. What will be the eligible limit for refinance?	If some disbursement has taken place in the previous 12 months and if the loan account was not covered under refinance during the past, the entire outstanding as on the date of application is eligible for refinance.