

# COVID-19 IMPACT ON MSMEs

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# DEFINITION

A revised definition of MSME which includes a composite criterion of investment and annual turnover has been introduced where the bifurcation between manufacturing sector and service sector has been eliminated. The definition has been entailed below:

- (i) Micro Enterprise: Investment < Rs. 1 Crore and, Turnover < Rs. 5 Crore.
- (ii) Small Enterprise: Investment < Rs. 10 Crore and, Turnover < Rs. 50 Crore.
- (iii) Medium Enterprise: Investment < Rs. 20 Crore and, Turnover < Rs. 100 Crore.

# INSOLVENCY & BANKRUPTCY CODE

- Insolvency proceedings will not be initiated up to 1 year, where previously MCA has extended it to 6 months.
- The government has raised the minimum threshold to initiate insolvency proceedings to Rs. 1 Crore from Rs. 1 Lakh, which largely insulates MSME's.
- Special Insolvency framework for MSME will be notified soon u/s 240A of IBC (Insolvency and Bankruptcy Code, 2016).
- Debts related to the coronavirus pandemic will not be included in default category under the Insolvency and Bankruptcy Code (IBC), for a period of one year.

# DEBT & INTEREST

The RBI has validated a moratorium of three months of all installments of term loans falling due between 1st March 2020 and 31st May 2020. The accumulated interest shall be payable immediately on completion of this period.

The RBI has decided to conduct Long-Term-Repo-Rate Operations for an aggregate amount of Rs. 50,000 Crore with at least 50% of the total amount availed going to small and mid-sized NBFC's and MFI's (Micro Finance Institutions). This will help in refinancing NBFC's and MFI's to maintain healthy cash flows to Small and Medium Enterprises (SME's).

### **Rs. 3 Lakh Crores Collateral-free Automatic Loan Scheme for MSME's**

- Emergency Credit Line to Businesses/ MSME's from Banks and NBFCs up to 20% of entire outstanding credit as on 29th February 2020.
- Borrowers with up to Rs. 25 Crore outstanding and Rs. 100 Crore turnover eligible.
- Loans to have 4 years tenor with moratorium of 12 months on principal repayment.
- Interest to be capped.
- 100% credit guarantee cover to Banks and NBFCs on principal and interest will be given by Government.
- Scheme can be availed till 31st Oct 2020.
- No guarantee fee, no fresh collateral.

# DEBT & INTEREST

## **Rs. 20,000 Crores Subordinate Debt for stressed MSME's**

- Government of India will facilitate provision of Rs. 20,000 Crore as subordinate debt.
- Two Lakh MSME's are likely to benefit.
- Functioning MSME's which are NPA or are stressed will be eligible.
- Government will provide a support of Rs. 4,000 Crore to CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises).
- CGTMSE will provide partial Credit Guarantee support to Banks
- Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the unit.

## **Rs. 50,000 Crore Equity infusion for MSME's through Fund of Funds**

- Fund of Funds with Corpus of Rs 10,000 Crores will be set up.
- Will provide equity funding for MSME's with growth potential and viability.
- Funds of Funds will be operated through a Mother Fund and few daughter funds.
- Fund structure will help leverage Rs. 50,000 Crores of funds at daughter funds level.

# DEBT & INTEREST

## Loan Repayment under 'Raw Material Assistance Scheme against BG (Bank Guarantee)

- All MSMEs, who have availed the facilities under the scheme of "Raw Material Assistance against BG" (working capital credit facility) prior to 01.03.2020, are eligible for the moratorium.
- MSME, wish to opt to avail moratorium of three months in respect of outstanding(s) falling due for payment from 01.03.2020 till 31.05.2020, shall confirm this on email to the respective Branch, from where it had availed the assistance.
- MSME availing the option under the scheme have to ensure that in all cases BGs are valid and/or kept valid by renewing them wherever required. The MSME unit (borrower) should also furnish the proof of renewal of the BG for record by e-mail or any other form.
- Interest on the loans shall continue to accrue on the outstanding dues for the period of moratorium at the already agreed rate & terms & conditions.
- MSME shall be required to pay the total outstanding dues including interest after 31.5.2020, in view of the prevailing situation.

# RBI RELIEFS

- RBI vide its announcement made on 23<sup>rd</sup> May 2020 has extended moratorium on all loans for another 3 months i.e. till 31<sup>st</sup> August 2020.
- Interest on loans in this moratorium period will be converted to Funded Interest Term Loan (FITL) which needs to be paid by 31st March 2021 and not immediately.
- Term loan principal repayment of this moratorium period will be repaid at the end of tenure of respective term loans so term loan tenure itself will increase to this extent automatically.
- Maximum Interest rate on MSME emergency line is 9% p.a. by Banks and 14% p.a. in case of NBFCs.
- Working capital margin and operating cycle to be revised by Banks as per COVID-19 scenario till 31st March 2020 and no account shall be considered as overdrawn due to non availability of margins.



# GOVERNMENT BOOSTERS

## Global tenders will be disallowed in government procurement for tender upto Rs. 200 Crore

Since MSME's have often faced unfair competition from foreign companies the government has announced that global tenders upto Rs. 200 Crore will be disallowed in government procurement. This is to ensure that MSME's do not face unfair competition from foreign companies.

## Receivables from government

The government shall clear, all the receivables by MSME's from Government of India and CPSE's (Central Public Sector Enterprise) within the next 45 days.

# OTHER MEASURES

## **IMPORTS & EXPORTS**

The time period for realization and repatriation of export proceeds for exports made upto or on 31 July 2020, has been extended to 15 months, from the date of export, which is presently 9 months from the date of exports.

The maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks is increased from the existing one year to 15 months, for disbursements made up to July 31, 2020.

The RBI has decided to extend the time period for completion of outward remittances against normal imports (i.e. excluding import of gold/diamonds and precious stones/jewellery) into India from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020.

## **EXTENDED DUE DATES**

Validity of SPRS enlistment certificates of MSME's expiring on or after 01<sup>st</sup> March 2020 and during Lock down period have been extended up to 30<sup>th</sup> June 2020.

50% discount on Annual membership fee of NSIC's MSME mart has been extended from 30<sup>th</sup> April 2020 to 30<sup>th</sup> June 2020.

## **POST COVID-19**

E-market linkage for MSME's to be promoted to act as a replacement for trade fairs and exhibitions post COVID-19.

Fintech will be used to enhance transaction based lending using the data generated by the e-marketplace post COVID-19.

# THANK YOU

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