



**MAXIGAIN
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MSME Relief Package

MAY 2020



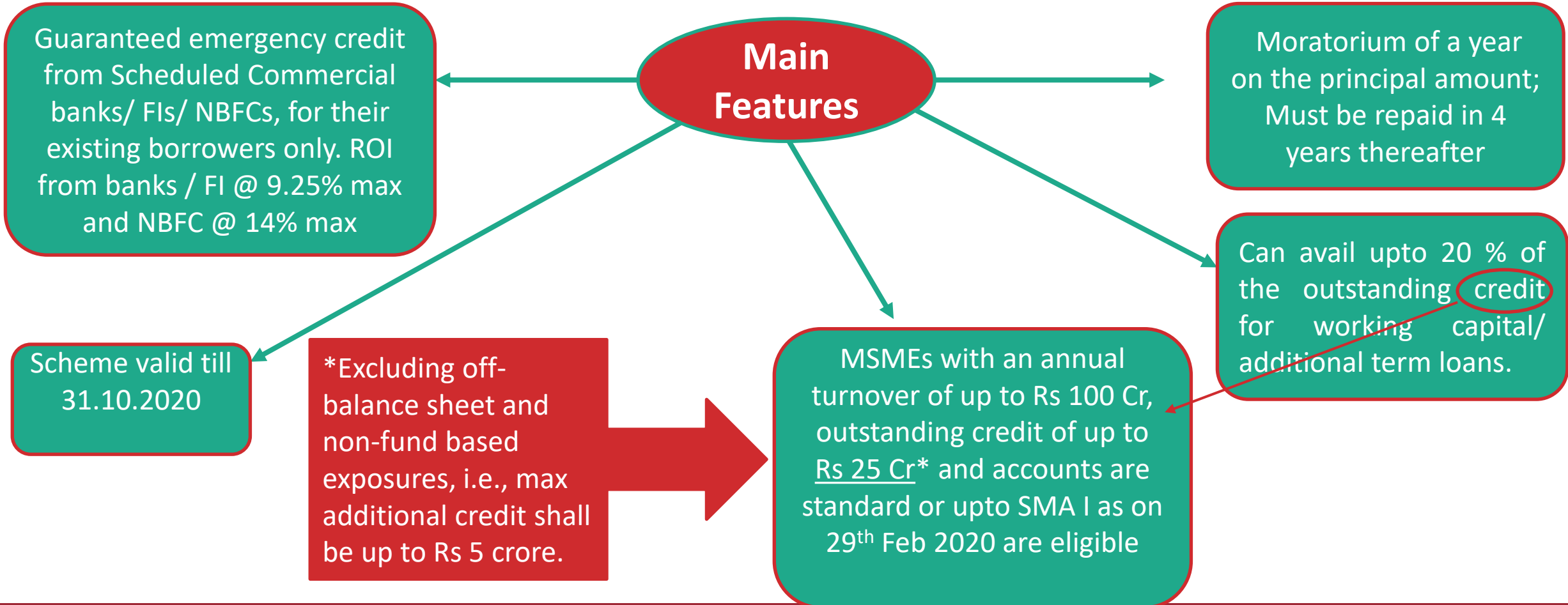
Turnover & Investment to Define MSMEs

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 Lac	Investment < Rs. 5 Cr.	Investment < Rs. 10 Cr.
Services Enterprise	Investment < Rs. 10 Lac	Investment < Rs. 2 Cr.	Investment < Rs. 5 Cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 Cr. and Turnover < Rs. 5 Cr.	Investment < Rs. 10 Cr. And Turnover < Rs. 50 Cr.	Investment < Rs. 20 Cr. And Turnover < Rs. 100 Cr.



3 L Cr Credit Guarantee Scheme for MSMEs





3 L Cr Credit Guarantee Scheme for MSMEs... 2

MSMEs must be GST registered in all cases where such registration is mandatory

Existing Collateral may be extended by lender; NOC may be required from all other lenders

Pre-approved loan - Bank will send offers to eligible customers automatically



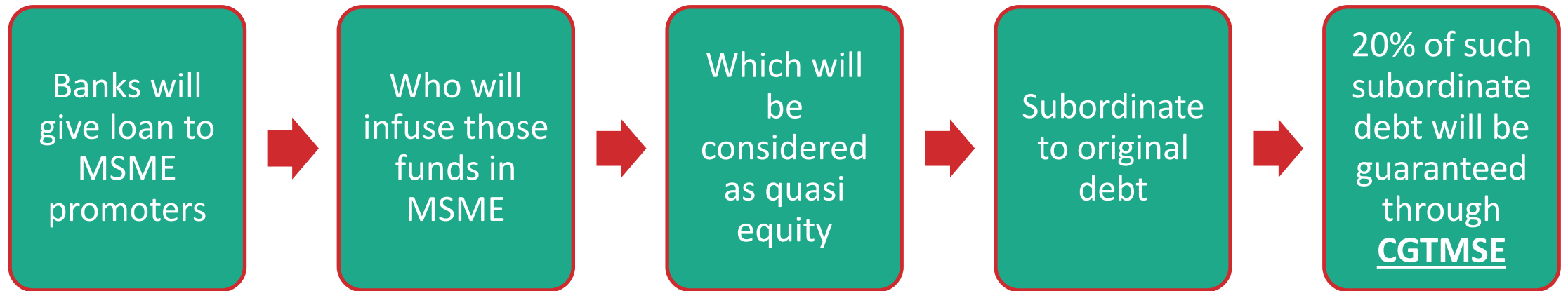
Banks will formulate internal policy for implementation of the scheme



Ex: One large bank has made a policy that first they will sanction the loan to MSME, then they will ask for confirmation from Credit Guarantee Corporation. After such confirmation only the loan will be disbursed



Rs 20K Cr Subordinate Debt Scheme



- Whether banks would prefer to give such loans where only 20% is guaranteed ?
- Promoter's Personal Guarantee would be involved
- This was also part of Budget announcements made in Feb 2020
- Further details awaited



Rs 50K Cr Equity Infusion through fund of Funds

Mother Fund of 10K Cr to be created along with Daughter Funds

5 times Leverage may be used at Daughter funds to create 50K Cr funds

Such Daughter funds will invest in MSMEs

Objective of investments could be Size or Capacity Expansion

Exit route may be through listing

***Details on Implementation stage are awaited and they can be very subjective.**



Relevant Measures by RBI

Total 6 months moratorium granted for Term Loan EMIs and Working Capital Interest in 2 tranches upto 31st August 2020

Interest on Working Capital can be funded by Banks as Funded Interest Term Loan to be repaid till 31st March 2021

Eased Drawing Power Calculation permitted till 31st March 2021 for offering additional Working Capital

Realization period against exports extended up to 15 months

Extension of time for payment against imports increased to 12 months from 6 months



Impact of Availing Moratorium

For Term Loans

- Cumulative amount of 6 EMIs amounts to another TL of that amount. Similar to availing another TL equivalent to 6 months EMI.
- Will be repaid after end of original TL period
- Will carry interest for the entire tenure of Loan + additional period of 6 months
- Huge interest cost for availing current cash benefit.

For Working Capital Loans

- Cumulative interest of 6 months will be converted into Funded Interest Term Loan (FITL). Similar to another TL equivalent to 6 months Interest.
- Will be repaid before end of March 2021.
- Huge interest cost for availing current cash benefit.
- Banks will form and roll out their respective policies for the same.



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