

प्रेस प्रकाशनी संचार विभाग		PRESS RELEASE DEPARTMENT OF COMMUNICATION
केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001		Central Office, S.B.S. Marg, Mumbai 400 001
फोन: 91 22 2266 0502 फेक्स: 91 22 2270 3279 इ-मेल : helpdoc@rbi.org.in	भारतीय रिज़र्व बँक	Phone: 91 22 2266 0502 Fax: 91 22 22703279 e-mail: helpdoc@rbi.org.in
वेबसाइट : www.rbi.org.in/hindi	RESERVE BANK OF INDIA	Website : www.rbi.org.in

April 24, 2008

RBI releases Report of Working Group on Rehabilitation of Sick SMEs

The Reserve Bank of India today placed on its website (www.rbi.org.in), the Report of the Working Group on Rehabilitation of Sick SMEs for wider dissemination and comments. Comments on the Report could be sent to the Chief General Manager-in-Charge, Rural Planning & Credit Department, Reserve Bank of India, Central Office, Fort, Mumbai-400001 or could be e-mailed.

A Working Group was constituted under the chairmanship of Dr. K. C. Chakrabarty, Chairman and Managing Director, Punjab National Bank to suggest measures for improving credit flow to the SME sector as well as measures for early implementation of rehabilitation/nursing of sick SME units by examining feasibility of bringing in additional capital through alternative routes, such as, equity participation, venture financing, etc. The Working Group held wide ranging discussions with the stakeholders, namely, industry associations, banks and Government agencies. The Working Group submitted its report on April 17, 2008.

The Working Group has given various recommendations/measures/actions, which need to be taken by banks, NABARD, SIDBI, RBI and State Government for enhancing credit flow to the SME sector as well as for early implementation of rehabilitation/nursing of sick SME units.

Highlights:

- As an incentive for proper restructuring package at the time of rehabilitation, necessary support for business restructuring, modernisation, expansion, diversification and technological upgradation as may be felt necessary by the lenders may also be encouraged. Support schemes like Credit Linked Capital Subsidy Scheme in case of units in other (than rural) areas, KVIC Margin Money Scheme (for units in rural areas) may be extended for rehabilitation packages also.
- The State Governments should introduce a Single Window concept for providing relief and concessions to sick Micro and Small Enterprises (MSEs).
- In order to incentivise the banks to take rehabilitation measures, the repayment of any additional exposure taken as part of the rehabilitation package should be given priority on the cash flows as well as security as compared to other debt.
- The interest of at least six months after commercial production can be included as a part of the project cost. Sufficient moratorium say, two years for repayment of the principal should also be given so as to prevent cases of incipient sickness at the commencement of production and help units to establish themselves in the market at the beginning. .

- Medium Enterprises should be taken out of the purview of BIFR and the banks given the responsibility of their rehabilitation, more so because only a fraction of the medium enterprises are covered under Sick Industries Companies (Special Provisions) Act, 1985 (SICA) and their rehabilitation done under the supervision of BIFR.
- Raising the limit of Rs 20 lakh to Rs 50 lakh for Lok Adalats, measures to strengthen the DRT/legal machinery, dedicated Bench for SMEs to expedite the process of recovery, Asset Reconstruction Companies especially for Micro Small and Medium Enterprise (MSME) loans are some other suggestions of the Working Group.

Alpana Killawala
Chief General Manager

Press Release : 2007-2008/1375