

**POLICY FOR RESTRUCTURING/NEGOTIATED EXIT/STRESSED EXIT****VENTURE CAPITAL FUND FOR SCHEDULED CASTES**

December-2023

**IFCI VENTURE CAPITAL FUNDS LIMITED**

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**Policy Framework****1.1 Background**

In order to promote entrepreneurship among the Scheduled Castes and to provide concessional finance to them, Ministry of Social Justice and Empowerment (MOSJE), Government of India (GOI) launched a first of its kind Venture Capital Fund by the name, "**Venture Capital Fund for Scheduled Castes**" (VCF-SC). The Fund was announced in the Budget for FY 2014-15. The spirit of the fund is to support the budding entrepreneurs and business-oriented persons from Scheduled Castes, who aspire to grow and in turn create employment and generate wealth and value for society. The initial fund corpus was Rs.250 Crore, which stands at Rs.683.18 Crore, as on 31<sup>st</sup> March 2022. Over the years, VCF-SC has hand-held many SC entrepreneurs having small/unorganized businesses to set up their own companies and implement their business ideas at a larger scale within an organized framework.

**1.2 Objective of the Policy**

- To provide a framework for early recognition and time bound resolution of stressed and defaulted assets.

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- To take timely corrective action in the form of Restructuring/(Negotiated/Stressed) Exit and recovery of dues so that resources are ploughed back to the Fund for wider usage.
- Bringing objectivity in approach while dealing with defaulting Investee Companies.
- Ensuring that the stressed and default assets are duly attended to and an appropriate resolution tool is applied expeditiously.

### 1.3 Reasons for Financial stress in portfolio companies of VCF-SC

An analysis of the portfolio companies of VCF-SC indicates that:-

- Most of the enterprises have been set up by first generation SC entrepreneurs who have not been able to get required additional funding (specially working capital) from Banks/FIs due to which the projects could not take off. Amount of margin money for working capital sanctioned under VCF-SC could not be disbursed in such Companies due to inability of those Companies to get WC sanction from Banks/FIs.
- Further, due to onset of Covid 19 pandemic and its long-drawn effect, small and medium enterprises sector (SMEs) have been the worst affected. The effect could be seen in the portfolio of VCFSC too, where many portfolio Companies have become stressed assets.

In view of the requirement above, MOSJE vide its revised guidelines of VCFSC dated 19<sup>th</sup> May 2022 has conveyed regarding Restructuring/Re-schedulemẽt as part of Scheme Details at Sl. No.9 as under:

**“Restructuring/ Re-schedulemẽt can be allowed in cases (including stressed cases) depending on viability and issues involved on case-to-case basis by Investment Committee. Fund Manager will come up with a circular, on its website, clarifying all issues involved in restructuring/re-schedulemẽt, along with the circumstances in which restructuring /re-schedulemẽt will be applicable, having regard to proposals of various categories.”**

## 2. Guidelines for restructuring of Financial Assistance under VCF-SC

Restructuring has been made as per various RBI notifications regarding COVID-19 package and Operational Guidelines for Restructuring of SDF (Sugar Development Fund) Loans under Rule-26 issued by Ministry of Consumer Affairs, Food & Public Distribution vide its letter dated 03/01/2022.

Applications for restructuring of financial assistance under VCF-SC shall be considered and evaluated based on guidelines mentioned in this document. These guidelines are subject to amendments, if any in future, notified from time to time. These guidelines shall be applicable for all eligible beneficiaries under VCF-SC.

The Resolution Plan (RP) may involve action plan/ reorganization including, but not limited to, regularization of the account by payment of all over dues by the Investee Company entity, sale of the exposures to other entities / investors, change in ownership and restructuring.

### Restructuring Plan

Early and satisfactory resolution of stressed/default accounts continues to remain a critical area for IFCI Venture under VCF-SC. It is proposed to initiate necessary steps for an early resolution, including restructuring of the financial assistance based on extant provisions of this policy.

Restructuring is an act in which a lender, for economic or legal reasons relating to the Investee Company's financial difficulty, grants concessions to the Investee Company. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others alteration of payment period / payable amount/ the amount of instalments; roll over of credit facilities; sanction of additional credit facility/release of additional funds for an account in default

to aid curing of default/ enhancement of existing credit limits ;

### 3. Eligibility Criteria

The policy shall be applicable to all those Investee Companies fulfilling any/ or below mentioned criteria: -

- a. Non-payment of outstanding dues (coupon or principal) for more than 4 consecutive quarters or otherwise, irrespective of reasons for the default.
- b. The Investee Company has incurred loss for any of the last 3 years or the Investee Company's networth is negative;
- c. Restructuring may be considered for the Investee Company where assistance has already been recalled and recovery actions have been initiated under VCF-SC.
- d. Applicant is found viable for revival as per Techno Economic Viable Study.
- e. Operations of the unit stopped because of genuine reasons like non availability of working capital, delay in implementation of project etc.  
Except in the following instances:
  - i. If the beneficiary account is in default with any other existing lender, then the restructuring proposal shall not be considered.
  - ii. In case any adverse/ legal action has been initiated by any lender w.r.t. the Investee Company, then the restructuring proposal shall not be considered. Notwithstanding the same, if the Applicant can enter into restructuring/OTS or compromise settlement with the same lenders, IFCI Venture shall also consider extending the same.
  - iii. Investee Company which has been declared fraud/ malfeasance/ willful defaulter will not be eligible for restructuring. However, in cases where the new SC investor are willing to take over existing promoters/management, IFCI Venture may take a view on restructuring/settlement of such accounts based on their viability, without prejudice to the continuance of criminal action against the erstwhile promoters/ management. New promoter shall adhere to the scheme guidelines.
  - iv. Beneficiary/Investee company which has undertaken legal actions against MOSJE, IFCI Venture or its officials are not eligible for restructuring under the guidelines. However, they can apply for restructuring after withdrawal of all such cases.

All restructuring proposals shall undergo Techno Economic Viability Study, only proposals which are found viable for restructuring as per study shall be eligible for grant of restructuring.

### 4. Scope of the Restructuring Plan

- a. Restructuring of the Financial Assistance under VCF-SC shall be in the form of capitalization of outstanding interest (coupon) plus principal outstanding and re-schedulement of the same.
- b. The unpaid interest (Coupon) component accrued during moratorium shall be capitalized as Funded Interest/ Coupon Component (FIC). Balance principal amount along with interest(coupon) and FIC shall be payable in 20 quarterly installments after a moratorium period of one year from the cut-off date.
- c. Working Capital Term Loan (WCTL) plus working capital margin shall be payable in 20 quarterly installments from the date of 1<sup>st</sup> disbursement of WCTL/Working capital margin. WCTL plus working capital margin shall not exceed 20% of the disbursed financial assistance. Further, any additional WC as per TEV report shall be brought in by the promoters from their own banks.

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- d. Rate of interest shall be charged as per prevailing interest rate on VCF-SC scheme. (i.e. 8% till 18/05/2022 and 4% thereafter).
- e. **Waiver of unpaid penal interest** (Interest on defaulted amount of Principal/Interest) in full shall be given to the eligible applicant. However, no amount of principal and simple interest shall be waived off.
- f. During the review, if it is found that there are chances of revival of any company i.e., starting of production by giving **Working Capital (WC) assistance by way of working capital term loan**, then the same may be considered under VCF-SC. WC requirement including release of undisbursed financial assistance shall be determined by Techno Economic Viability Study.

#### 5. Policy for Negotiated Exit/Stressed Exit (NE/SE)

The purpose of the policy is to:

- Accelerate the exit process.
- Decrease the chances of further loss/reduction in return through exit process.
- To accelerate recoveries, since legal measures for recovery are a long-drawn process.

In respect of cases , where chances of recovery of dues are bleak, pending legal cases for long time and possibility of revival of unit is remote, Negotiated/Stressed exit is a preferred option

NE/SE shall be entered into taking into consideration the factors like status of the project, working results and financial position of the company, legal case status, value of security, resourcefulness of promoters, industry status, market/product consideration and technology etc.

NE is defined as where amount offered by applicant is more than principal outstanding and SE as where amount offered is less than principal amount.

#### Eligibility and circumstances Criteria for NE

- Level of business activity is good but not sufficient for getting the agreed return;
- In case Company is over leveraged and there are chances of lenders may resort to recovery of dues by acquiring assets of the company or through legal recourse.
- Where chances of recovery by Legal route are negligible.

#### Eligibility and circumstances criteria for SE

- The unit is lying closed or barely functioning and chances of its revival are remote.
- Some Institutions/Banks have agreed to enter into settlement with the Beneficiary.
  - The project could not be implemented in its entirety due to reasons beyond the control of the company.
- Project undertaken by the company is stalled because of lack of financial closure due to cost / time overrun.

#### The main component of any Exit proposal are:

- Quantum of Settlement
- Payment Terms
- General Conditions

**Reasonable grounds for arriving at decision for settlement are**

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7. Security Valuation
8. Status of Legal actions
9. Resourcefulness of promoters/guarantors/investors

#### **Valuation of security:**

Valuation of charged assets is a significant factor. The valuer shall be appointed from the empaneled valuers with IFCI or valuers registered with IBBI.

The realizable value of security charged to IFCI Venture as also the IFCI Venture's ability to take possession of the security and sell it will be the basic factors which would decide the settlement amount.

In order to carry out valuation of assets of the company, valuer shall be appointed by IFCI Venture and valuation shall be valid for 1 year. NE/SE amount shall be determined based on Distress Sale value of the assets, period of security enforcement and networth of personal guarantors.

#### **6. Procedure for processing of Applications for Restructuring/OTS**

- a. The interested and eligible Beneficiary need to apply through e-mail & hard copy as per Form Annexure-1 of operational guidelines for VCF-SC (to be modified for restructuring if required). Applications complete in all respects will be considered.
- b. On receipt of the applications and after scrutiny by IFCI Venture, the same shall be presented before the Investment Committee for final decision.
- c. Further, the accounts where, restructuring plan is being proposed, an independent Techno-Economic Viability study (TEV) shall be undertaken considering the total aggregate financial exposure, entire business operation/overall cash flows, underlying assets of the Beneficiary entity and projected business plan/financials to assess the viability of the restructuring plan. For this purpose, TEV consultants empaneled with IFCI Ltd./ Public Sector Banks (PSBs)/ IBBI may be considered. Expenses for the TEV study shall be borne by VCF-SC.
- d. On approval by Competent Authority, Letter of Restructuring Approval will be issued.
- e. Legal documentation shall be done as per requirement of restructuring/exit through NE/SE.
- f. The restructuring/exit through NE/SE plan would be treated as implemented only once all related documentation/ creation of security charge/ perfection of securities/ change in capital structure or any other changes are duly executed between the Investor and Beneficiary.
- g. In case the Beneficiary has not adhered to the restructuring plan or defaulted on payment of 4 installments as per the revised repayment schedule, the restructuring plan shall stand cancelled, and the recovery action shall be initiated on the Beneficiary immediately upon issue of show cause notice revocation for 15 days.
- h. This Policy is to be read along with the guidelines, operational instructions, other manuals issued by Ministry of Social Justice & Empowerment, Government of India, from time to time.

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#### **Glossary:**

Beneficiary: Investee Company

Cut-Off Date: The date on which the outstanding principal and Simple Interest due are capitalised .

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FIC: Funded Interest Component

**IFCI VENTURE CAPITAL FUNDS LTD.****FORMAT FOR SUBMITTING THE DETAILS OF THE PROJECT****1. SALIENT FEATURES OF THE PROJECT:** Write the details.

Particulars	Description
Name of the company	
Date of Incorporation	
CIN Number	
PAN Number	
Registered Office/ Corporate Office	
Manufacturing Unit/ Factory Location	
Proposed Project	
Proposed Installed Capacity	
Promoter	
Sector	
Industry	
Existing Banker	
Auditors	

**2. DETAILS OF THE COMPANY**

- 2.1 Background:-**Background of the company, objective, experience, achievements, etc
- 2.2 Promoters:-**Details of the promoters, educational background, experience, achievements, etc.
- 2.3 Any Awards and certifications:** Write the details.
- 2.4 Key Management Persons:** Write the details.
- 2.5 Capital Structure & Shareholding Pattern**

- **Capital Structure as on date** : Write the details.

A. Authorized Capital	Amount (In Rs.)
Equity Shares of Rs.10/- each	
B. Issued, Subscribed & Paid Up Capital	
Equity Shares of Rs.10/- each, fully paid up	

- **Shareholding pattern as on date** : Write the details.

Name of Shareholder	No. of Share	Amount of Capital (Rs.)	Shareholding (%)
<b>TOTAL</b>			

*Note: The Company is .....% held by SC promoters. Caste Certificates to be submitted.*

**2.6 Details of Net-worth of Promoters/Guarantors:** Write the details.

Sl. No.	Name	PAN	DOB	Net-worth as on (in Rs.)
1				
2				
	<b>Total</b>			

*Note: Submit the latest CA certified Net-worth certificates of the promoters*

**2.7 Present financial position of the company**

- **Profit & Loss statement for last 3 years:** Write the details.

Particulars	<i>In Rs. Lakhs</i>		
	FY__ (Audited)	FY__ (Audited)	FY__ (Audited)
Revenue / Sales			
Expenditure			
Other Expenses			
Interest Payment			
Depreciation			
PBT			
Taxes			
PAT			

- **Balance sheet for last 3 years:** Write the details.

Particulars	<i>In Rs. Lakhs</i>		
	FY__ (Audited)	FY__ (Audited)	FY__ (Audited)
<b>Liabilities</b>			
<b>Total Sources of Funds</b>			
<b>Assets</b>			
<b>Total Application of Funds</b>			

**2.8 Stake of Banks / Borrowing Arrangement:** Write the details.

The company has availed facilities from ..... The details are as below:

Name of Inst/Banks	Facility (Year)	Amount Sanc. (Rs. in Lakh)	Int. Rate (%)	Amt. Disb. (Rs. in Lakh)	O/s Loan Amt. as on date	Security Created
	<b>TOTAL</b>					



**3. PROPOSED PROJECT, LOCATION AND IMPLEMENTATION SCHEDULE:**

**3.1 About the Proposed Project:** Write the details.

**3.2 Installed Capacity:** Write the details.

Production Capacity	Details
Full / 100% operating Capacity	
Operating Capacity	

**3.3 Product:** Write about the details and descriptions of the Products.

**3.4 Raw Material and its supply:**

- Write about the Raw material details and descriptions;
- Write about the List of raw material suppliers in the location;

**3.5 Manpower:** Write about the details of the manpower requirement.

**3.6 Project Location:** Submit Details of land including land documents, area, etc.

Connectivity	Approx. Distance (in Km.)
Railway	
Airport	

**3.7 Utilities:** Brief details of the utilities are as follows:

- Power Requirement and Source: Write the details.
- Water Requirement and Source: Write the details.

**3.8 Permissions and approvals:** Details of the required permissions and approvals from concerned authorities:

**3.9 Implementation Schedule:** Write the details.

Activity	Completion Period
Land & Development	
Building construction and Prefab shedding works	
Machine Ordering	
Supply of Machinery	
Installation/Testing at site/ Erection & Commissioning	
Pilot Run/Raw Material Sourcing	

**4. PROJECT COST:** Write the details.

Particulars	Project Cost	<i>In Rs. lakh</i>
		Amount already spent in the project
Land / Land Development		
Technical Civil Work (Building)		
Plant and Machinery (Complete Unit set up)		
Electrification cost		
Furniture's, Fixtures, Computers, etc.		
Any other Costs (marketing, etc)		
<b>Total Fixed Cost</b>		
Pre- Operative Expenditure		
Working Capital Margin		
Interest During Construction Period		
<b>Total Cost of Project</b>		

*Note: The above project cost format is for the manufacturing unit proposals. You may change the format as per the specified project. For service / any other allied projects the format may get changed as per the project details.*

5. **COMPLETE LIST AND DETAILS OF PROJECT COST ITEMS (Along with quotations):** Write the details.
6. **MEANS OF FINANCE:** Write the details.

			<i>In Rs. lakh</i>
Particulars	Fund Raising Amount	% sharing	Amount already raised in the project
Promoter's Contribution in Equity			
Requested Financial Assistance under VCF-SC			
Total			

7. **MARKET, COMPETITION AND INDUSTRY OVERVIEW:** Write the details.
8. **MARKETING STRATEGY:** Write the details.
9. **SWOT ANALYSIS:** Write the details.
10. **PROJECTIONS (for 10 years) – Submit Excel Sheet of Financial Projections:** Write the details.
  - **Profit & Loss Statement:**
  - **Balance sheet:**
  - **Calculation of DSCR:**
11. **RISK ANALYSIS:** Write the details.
12. **DETAILS OF SECURITY TO BE OFFERED FOR THE FINANCIAL ASSISTANCE:** Write the details.

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